

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2012-218-E - ORDER NO. 2012-951
DECEMBER 20, 2012

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| IN RE: Petition of South Carolina Electric & Gas Company for Increases and Adjustments in Electric Rate Schedules and Tariffs and Request for Mid-Period Reduction in Base Rates for Fuel |) | TABLE OF CONTENTS |
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| IN RE: Application of South Carolina Electric & Gas Company for Increases and Adjustments in Electric Rate Schedules and Tariffs and Request for Mid-Period Reduction in Base Rates for Fuel |) | ORDER APPROVING ADJUSTMENTS IN RATES AND CHARGES AND A MID-PERIOD REDUCTION IN BASE RATES FOR FUEL |
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I. INTRODUCTION

This matter comes before the Public Service Commission of South Carolina (the “Commission”) on the Application of South Carolina Electric & Gas Company (“SCE&G” or the “Company”) for adjustments in its rates, charges, and tariffs for retail electric service in South Carolina and for a mid-period reduction in base rates for fuel (the “Application”). The Application was filed on June 29, 2012, and was made pursuant to S.C. Code Ann. §§ 58-27-820, 58-27-860, 58-27-865(D) and 58-27-870 (Supp. 2011), and 26 S.C. Code Ann. Regs. § 103-823 (Supp. 2011).

SCE&G is an electric utility engaged in the business of generating, transmitting, distributing, and selling electric power to the public. As discussed in more detail below, its retail electric operations in South Carolina are subject to the jurisdiction of the Commission pursuant to S.C. Code Ann. §§ 58-3-140(A); 58-27-140(1); 58-27-810; and other statutes. The Company’s electric rates and tariffs under its last general rate increase request were approved by the Commission in Order No. 2010-471, dated July 15, 2010,

entered in Docket No. 2009-489-E (the “Prior Rate Order”). The Prior Rate Order provided for an increase in annual retail revenues of \$101.2 million for the Company with an authorized Return on Common Equity (“ROE”) of 10.7%. The rates and tariffs as requested in the Application in this docket would produce (without the fuel and DSM adjustments) an increase in annual retail revenues of \$151.5 million and provide a ROE of 10.95%.

The Commission’s Clerk’s Office instructed the Company to publish a Notice of Filing and Hearing (“Notice”) in newspapers of general circulation in the area affected by the Application by July 27, 2012. The Notice indicated the nature of the Application and advised the public that evidentiary hearings on the Application were scheduled to begin on November 27, 2012. It also advised those desiring to participate in the hearings of the manner and time in which to file appropriate pleadings. The Clerk’s Office further required the Company to furnish the Notice directly to all customers affected by the proposed rates and charges by August 24, 2012. On August 16, 2012, the Company timely filed with the Commission affidavits demonstrating that the Notice was duly published in accordance with the Clerk’s Office’s instructions. On August 29, 2012, the Company timely filed an affidavit certifying that a copy of the Notice was furnished to each affected customer. On November 1, 2012, the Commission gave notice to all interested parties that the beginning of the hearing was advanced to 2:00 p.m. on November 26, 2012, to allow additional time for the proceedings.

During the course of these proceedings, the Commission also received numerous requests from members of the public for public hearings to be held at various locations

throughout SCE&G's service territory. In response to these requests, the Commission ordered that three local public hearings be scheduled in different regions in SCE&G's electric service territory. In accordance with the Clerk's Office's instructions, on October 17, 2012, the Company filed an affidavit verifying that it had provided notice of the local public hearings to its customers.

Timely petitions to intervene in this docket were received from the Department of the Navy and all Federal Executive Agencies (collectively, the "Navy"); the South Carolina Energy Users Committee ("SCEUC"); Frank Knapp, Jr.; Time Warner Cable, Inc. ("Time Warner"); Wal-Mart Stores East, LP and Sam's East, Inc. (together, "Wal-Mart"); and American Association of Retired Persons ("AARP"). Pursuant to S.C. Code Ann. §§ 58-4-10(B) (Supp. 2011) and 58-33-140(I)(b) (Supp. 2011), the South Carolina Office of Regulatory Staff ("ORS") is a party to the proceedings in this docket as a matter of law.

In response to the Application, ORS made on-site investigations of the Company's facilities, audited the Company's books and records, and gathered extensive information concerning the Company's electric operations.

On October 2, 2012, the Company filed the direct testimony and exhibits of eight witnesses: Stephen A. Byrne, President for Generation and Transmission and Chief Operating Officer ("COO") of SCE&G; W. Keller Kissam, President of Retail Operations of SCE&G; Jimmy E. Addison, Executive Vice President and Chief Financial Officer ("CFO") of SCE&G; James E. Swan, IV, Controller of SCE&G; John R. Hendrix, Manager of Electric Pricing and Rate Administration with SCANA Services,

Inc.; Rose M. Jackson, General Manager of Supply and Asset Management, SCANA Services, Inc.; Robert B. Hevert, Managing Partner of Sussex Economic Advisors, LLC; and Steven P. Harris, Vice President with EQECAT, Inc.

On October 26, 2012, ORS filed with the Commission the direct testimony and exhibits of eight witnesses: Dawn M. Hipp, a Director for ORS; Henry N. Webster, II, Audit Manager for New Nuclear Deployment and Telecommunications of ORS; Joseph W. Coates, an auditor for ORS; Kelvin L. Major, an auditor for ORS; Michael R. Cartin, an Electric Utilities Specialist in the Electric Department of ORS; Leigh C. Ford, a Senior Electric Utilities Specialist in the Electric Department of ORS; Michael Seaman-Huynh, a Senior Electric Utilities Specialist in the Electric Department for ORS; and Dr. Douglas H. Carlisle, the Economist at ORS. Also on October 26, 2012, SCEUC filed the direct testimony and exhibits of Kevin W. O'Donnell, President of Nova Energy Consultants, Inc. The Navy filed the direct testimony and exhibits of Nicholas Phillips, Jr. of Brubaker & Associates, Inc. Wal-Mart filed the direct testimony and exhibits of Steve W. Chriss, Senior Manager, Energy Regulatory Analysis for Wal-Mart. AARP filed the direct testimony and exhibits of Ralph C. Smith, a certified public accountant and senior regulatory utility consultant with Larkin & Associates, PLLC. Time Warner filed the direct testimony and exhibits of Brian W. Coughlan, President of Utility Management Services, Inc.

On November 13, 2012, SCE&G filed with the Commission the rebuttal testimony and exhibits of eight witnesses: Mr. Byrne; Mr. Addison; Mr. Kissam; Martin K. Phalen, Senior Vice President of Administration of SCANA; Mr. Swan; Mr. Hendrix;

Mr. Hevert; and Marcus M. Harris, Director of Power Marketing of SCE&G. On November 20, 2012, ORS filed with the Commission surrebuttal testimony of Mr. Cartin; Time Warner filed surrebuttal testimony of Mr. Coughlan; and SCEUC filed surrebuttal testimony of Mr. O'Donnell.

On November 19, 2012, ORS filed with the Commission a Memorandum of Understanding ("MOU") entered into by ORS, the Company, Wal-Mart, Mr. Knapp, the Navy, and AARP. See Order Exhibit No. 1. The MOU represented a resolution of all the issues related to the amount and allocation of the requested rate increase, the accounting and other matters raised in the testimony of ORS witnesses, the reduction in the Demand Side Management ("DSM") Rider to Retail Rates ("DSM Rider"), and the mid-period reduction to base rates for fuel. On November 20, 2012, SCE&G filed with the Commission supplemental testimony of Mr. Byrne and Mr. Addison in support of the MOU. On November 21, 2012, ORS filed with the Commission documents indicating that Time Warner had also executed the MOU. As of the time of hearing, of the eight parties to this proceeding, only one, SCEUC, did not join in the MOU.

As directed by the Commission, local public hearings were held on October 24, 2012, in Graniteville, S.C.; November 5, 2012, in Charleston, S.C.; and November 27, 2012, in Columbia, S.C. During the course of these public hearings, the Commission heard statements presented by 43 members of the public and one elected official.¹ General

¹ On November 27, 2012, the Commission held a public night hearing in this proceeding at which several members of the public provided comments to the Application of SCE&G. At the public night hearing, Tom Clements, on behalf of the Alliance for Nuclear Accountability, informed the Commission of the billing practice of Georgia Power Company, which is constructing two AP1000 nuclear units in Georgia.

themes heard were that the rate increases were too high, especially considering the Company's ability to raise rates under the Base Load Review Act, and that the public speakers could not afford the proposed increase.

An evidentiary hearing where the parties' expert witnesses were presented was held in the hearing room of the Commission from November 26 through November 27, 2012. The Honorable David A. Wright, Chairman of the Commission, presided. SCE&G was represented by K. Chad Burgess, Esq.; Mitchell M. Willoughby, Esq.; Matthew W. Gissendanner, Esq.; and Belton T. Zeigler, Esq. ORS was represented by Nanette S. Edwards, Esq., and Jeffrey M. Nelson, Esq. SCEUC was represented by Scott Elliott, Esq. Wal-Mart was represented by Derrick Price Williamson, Esq., and Stephanie U. Roberts, Esq. AARP was represented by Stephen Suggs, Esq. By agreement of the parties, the Navy did not appear at the hearing but the pre-filed testimony of its witness Mr. Phillips was entered into the record. Mr. Knapp appeared *pro se* and was excused at the opening of the hearing. After becoming a signatory to the MOU, Time Warner did not appear at the hearing or present evidence.

As part of his public comments, Mr. Clements provided the Commission with a copy of an electricity bill issued by Georgia Power Company that was included as part of the evidence of record. The supplied bill contains a separate line item entitled "Nuclear Construction Cost Recovery." Mr. Clements requests that as part of the ruling in this docket that the Commission issue an order instructing SCE&G to include this same information on SCE&G's electricity bill. In Docket No. 2012-203-E, Mr. Clements made this very same request, which the Commission denied in Order No. 2012-884. For the reasons set forth in Order No. 2012-884, issued in Docket No. 2012-203-E, the Commission again declines Mr. Clements' request.

II. THE COMMISSION'S JURISDICTION AND PROCEDURAL ISSUES RELATED TO THE MOU

As set forth in the Application, SCE&G is an electric utility engaged in the business of generating, transmitting, distributing, and selling electric power to more than 660,000 customers in 24 counties in central and southern South Carolina. SCE&G's retail electric operations in South Carolina are subject to the jurisdiction of the Commission pursuant to S.C. Code Ann. § 58-3-140(A) which states: "[T]he commission is vested with power and jurisdiction to supervise and regulate the rates and service of every public utility in this State and to fix just and reasonable standards, classifications, regulations, practices, and measurements of service to be furnished, imposed, or observed, and followed by every public utility in this State." Under S.C. Code Ann. § 58-27-810, "[e]very rate made, demanded or received by any electrical utility . . . shall be just and reasonable." Under S.C. Code Ann. § 58-27-860, any electric utility that proposes to change its rates must first receive approval to do so from the Commission. Chapter 27, Article 7 of Title 58 sets forth the standards that govern the notice, hearings and other procedures related to the Commission's consideration of the Application. As indicated by the procedural history set forth above, the proceedings in this docket are in compliance with these requirements.

After careful review of the MOU and the contentions of the seven parties that signed it (the "MOU Parties"), the Commission has determined that the MOU comprehensively addresses all issues raised by the MOU Parties.

The MOU Parties include a broad spectrum of interests represented here, including the Company; ORS, which represents the public interest in all its aspects; two

customers with large and medium general service accounts, *i.e.*, the Navy and Wal-Mart; a small commercial customer with multiple accounts, Time Warner; Mr. Frank Knapp, a small business owner; and AARP, which represents a diverse segment of residential customers.

III. APPROVAL AND ACCEPTANCE OF THE MOU

The Commission has convened and conducted a full evidentiary hearing in this matter and has considered all issues raised by the parties. The Commission has carefully considered the terms of the MOU and specifically the question of whether a rate adjustment embodying the terms contained in the MOU would be just, fair, and reasonable; would be in the public interest; and otherwise would be in accord with law and sound regulatory policy. For the reasons set forth below, the Commission finds that a rate order embodying the terms of the MOU will result in rates that are just, fair, and reasonable to all rate classes; will be in the public interest; and will otherwise be in accordance with applicable law and sound regulatory policy.

The MOU was accepted into the record of the hearing as Hearing Exhibit No. 3. A chart showing the resulting rate increases by customer class was included in Mr. Byrne's supplemental MOU testimony. Tr. at 227.

IV. The Terms of the MOU

In the Application in this proceeding, SCE&G requested a base retail electric rate increase of \$151,502,000 or 6.61%. After considering the effect of the mid-period fuel cost adjustment, and adjusting for the effects of the decrease in the DSM Rider that is required pursuant to Order No. 2010-472, the net effect of the requested increase as

requested in the Application was 3.75%. The MOU reduces this net increase to \$31,672,950, or 1.38%. The total increase after the MOU and not considering fuel savings or the DSM reduction is \$97,075,000 or 4.23%.

For purposes of setting rates in this proceeding, and subject to the other terms of the MOU, the parties to the MOU accepted ORS's proposed recommendations as set forth in the testimony of ORS witnesses Cartin, Ford, and Seaman-Huynh and the exhibits and the accounting adjustments set forth in ORS witness Webster's Audit Exhibits HNW-1 and 2 (the "ORS Adjustments" and the "ORS Adjustments and Recommendations"). The following are the principal MOU Adjustments and ORS Recommendations as reflected in ORS's testimony and exhibits as well as the other terms and agreements contained in the MOU:

1. ORS recommended that rates be set to allow SCE&G the opportunity to earn an ROE of 10.25%. SCE&G had requested that rates be set to allow it the opportunity to earn an ROE of 10.95%. SCE&G's current allowed ROE is 10.7%.
2. ORS recommended a \$29,556,275 reduction of the value of SCE&G's coal inventory to reflect higher than normal inventories during the test period and the impending removal from service of one coal unit and the coal handling equipment at two coal plants.
3. ORS recommended removal of the \$6,054,246 pro forma adjustment proposed by the Company in the Application to account for the proposed

resumption of collections for the Storm Damage Reserve. Such collections will remain suspended if the MOU is approved by the Commission.

4. ORS recommended removal of the \$3,058,167 pro forma adjustment proposed by the Company to account for payment of premiums on its storm damage insurance policy. This policy will be allowed to lapse if the MOU is approved by the Commission.

5. ORS recommended a \$3,856,620 reduction in the amortization expense related to the incremental operation and maintenance expense and depreciation expenses for the Wateree scrubber. These expenses were deferred for future collection by Order Nos. 2008-741 and 2010-828. The reduction in the amount of amortization expense is created by extending the amortization period for these costs from five to 23 years.

6. ORS recommended removal of \$828,374 from test year expenses related to officer salary increases.

7. ORS recommended removal of \$1,412,256 in miscellaneous expenses deemed non-allowable in the ORS audit.

8. ORS recommended the removal of a pro forma adjustment of approximately \$12,525,444 proposed by the Company for recovery of current pension expenses which are presently being deferred. In doing so, ORS also recommended that this amount be recovered through a special pension expense rider which would be adjusted annually as pension expenses change in the future. The initial rider will be set to recover current pension expense of \$11,443,665.

9. ORS recommended a \$2,877,730 reduction in the amortization expense for deferred amounts associated with the pension expense that was unrecovered in prior periods. This reduction is created by extending the amortization period for these deferred expenses from 12 to 30 years.

10. ORS recommended a \$100,000 reduction in the annual amortization expense associated with a Research and Development Grant made by SCE&G to Clemson University. This reduction is created by extending the amortization period of the grant from five to ten years.

11. ORS recommended a \$795,938 reduction in vegetation management expenses to reflect a lower budget for such expenses in 2013 as compared to the test period actual expenses.

12. ORS recommended removal of the proposed pro forma adjustment to test year revenue of \$(2,000,000) to recover the amount that was over-credited to customers under the decrement rider approved in Order No. 2010-471. That decrement rider related to a \$25 million weather-related revenue credit and the Economic Impact Zone tax credit that SCE&G agreed to provide in the stipulations underlying Order No. 2010-471. The MOU provides that, instead of being recovered through base rates as requested in the Application, this over-credited amount, which totals approximately \$3 million as adjusted by ORS, will be added to the balance to be recovered through the fuel factor calculation in the Company's fuel cost recovery proceeding.

13. ORS recommended other miscellaneous adjustments related to items such as adjustments to cash working capital, rate case expenses, customer growth and taxes.

14. ORS agreed that SCE&G should be permitted to establish a nuclear outage accrual mechanism as set forth in the testimony of Mr. Byrne. The mechanism would track nuclear outage expenses over a five outage-cycle beginning with V. C. Summer Nuclear Unit 1 refueling outage No. 21. The annual accrual amount would be set at \$17,188,807 per year. SCE&G will track actual accruals and expenses through this mechanism. The net balance created by the mechanism will not bear interest.

15. ORS agreed that SCE&G should be permitted to reduce its Base Fuel Component to 3.278 cents per kilowatt hour ("kWh") which would decrease current fuel costs by approximately \$58,000,000 annually. Except in case of unforeseen extraordinary economic or financial conditions, SCE&G would not seek changes in its Base Fuel Component prior to the last billing cycle of April 2014. Unrecovered fuel cost balances that exceed \$24,338,526 would earn interest at the 3-year United States Treasury Note rate plus 65 basis points.

16. ORS agreed that SCE&G should be permitted to begin collections for environmental remediation costs related to its electric operations, similar to the collections permitted for environmental remediation of manufactured gas sites and other gas system environmental remediation costs. The annual collection

amount would be \$240,000 per year. SCE&G will track actual accruals and expenses through this mechanism.

17. In the MOU, SCE&G agreed not to seek any adjustment to its retail electric base rates which would become effective before January 1, 2015, except in case of unforeseen extraordinary economic or financial conditions. This moratorium would not apply to requests for revised rates under § 58-33-280; requests to update SCE&G's DSM rate rider; or requests for adjustments in proceedings under § 58-27-865, subject to Paragraph 15 above.

18. In the MOU, SCE&G agreed to prepare and present for review by the parties a study concerning potential revisions to the structure of its electric weather normalization adjustment ("eWNA"). The study is required to be issued by June 30, 2013.

The terms of the MOU are not intended to create precedent for future proceedings.

V. THE HEARING

At the hearing in this matter, SCE&G presented the direct and rebuttal testimony of each of its witnesses who had prefiled testimony and/or exhibits, except for Mr. Steven P. Harris, whose testimony was withdrawn in response to the terms of the MOU related to the storm damage reserve and storm damage insurance.

The Company's President of Generation and Transmission and COO, Mr. Byrne, testified concerning the Company's generation operations, anticipated plant retirements, environmental investments, other infrastructure improvements, DSM and alternative

energy programs, the need for rate relief, the drivers of the Company's current cost structure, the nuclear outage accrual mechanism, wholesale contracts, and related matters. The Company's President of Retail Operations, Mr. Kissam, testified concerning the safety and reliability of the Company's electric system, the Company's programs and investments to safeguard safety and reliability, the Company's customer assistance and energy conservation programs, the Company's environmental remediation activities at certain sites, and matters related to the storm damage reserve.

The Company's CFO, Mr. Addison, testified concerning the financial drivers of the rate increase, the current financial posture of the Company, the Company's future financial needs and plans, SCE&G's capital structure, conditions in current capital markets and the returns required to allow the Company to access capital on reasonable terms and successfully meet the capital requirements that the Company is facing in coming years.

The Company's rate-of-return witness, Mr. Hevert, testified concerning a reasonable ROE for the Company and an appropriate capital structure for the Company. The Company's Senior Vice President of Administration, Mr. Phalen, testified concerning the Company's at-risk pay programs and the defined benefit retirement plan. The Company's Controller, Mr. Swan, testified concerning various accounting matters and the proposed pro forma adjustments to the Company's test year financial results. The Company's Director of Power Marketing, Mr. Harris, testified concerning the marketing of electric power to wholesale customers. The Company's fuel witness, Ms. Jackson, testified concerning fuel cost forecasts and conditions in natural gas markets. The

Company's rate witness, Mr. Hendrix, testified concerning the Company's cost of service, rate design and tariffs, as well as the mid-period fuel reduction and the reduction to the DSM rider.

Company witnesses Byrne and Addison specifically testified in support of the MOU.

ORS's electric utilities specialist, Ms. Ford, testified regarding wages, benefits, payroll taxes, the storm reserve fund, storm insurance premiums, the environmental remediation cost recovery mechanism and other amortizations and adjustments, all of which were incorporated in the MOU. ORS's senior electric utilities specialist, Mr. Seaman-Huynh, testified regarding ORS's review of the Company's cost of service studies, rate design, proposed mid-period fuel cost reduction and other matters which also were affirmed as part of the MOU. ORS's electric utilities specialist, Mr. Cartin, testified regarding the proposed accounting for capacity purchases, the nuclear outage accrual mechanism, coal inventories, and certain other proposed adjustments included in the MOU. ORS witness Ms. Hipp testified concerning customer concerns with the eWNA. ORS accounting and audit witnesses Mr. Webster, Mr. Major, and Mr. Coates testified concerning ORS's audit of the information supporting the Application and certain proposed adjustments that were presented by SCE&G or adopted as a part of the MOU. ORS's economist, Dr. Carlisle, testified concerning cost of capital and capital structure.

SCEUC witness Mr. O'Donnell presented testimony concerning a suitable ROE and capital structure for SCE&G, SCE&G's wholesale contracts, rate comparisons with other utilities, cost of service, rate design, pension plans, incentive pay, trade association

dues, and other matters. AARP witness Mr. Smith testified through pre-filed testimony concerning eWNA, certain federal tax issues, and issues related to the Storm Damage Reserve and storm insurance. Wal-Mart witness Mr. Chriss testified concerning revenue allocations among customer classes and ROEs granted by other commissions. The Navy witness Mr. Phillips testified through pre-filed testimony concerning rate design and revenue allocation issues.

VI. FINDINGS OF FACT AND CONCLUSIONS OF LAW

In entering its order in this proceeding, the Commission makes the following findings of fact and conclusions of law. They are based upon the Application, testimony, exhibits, and the MOU, all as received into evidence at the hearing in this proceeding, and on the entire record of these proceedings. As to all factual matters, they reflect the Commission's decision that the preponderance of the evidence as presented in this hearing, and after weighing the probative value and credibility of the testimony of each witness, supports the conclusions reached.

1. The Commission has jurisdiction over SCE&G's retail electric rates, charges and terms and conditions of service as generally provided in S.C. Code Ann. § 58-27-10, *et seq.*

2. SCE&G is lawfully before the Commission based upon its Application for a general increase in its retail electric rates filed pursuant to S.C. Code Ann. §§ 58-27-820, 58-27-860 and 58-27-870 and 26 S.C. Code Ann. Regs. 103-823.

3. The twelve-month period ending December 31, 2011, is an appropriate historical test period for the purposes of setting rates in this proceeding.

4. The original cost rate base for SCE&G's retail operations as of the close of the test year, including appropriate pro forma adjustments, was \$4,842,524,000 and consists of the components set forth in Table B of this Order.

5. Under present rates and after accounting and pro forma adjustments, operating revenue for the Company's retail operations for the test year is \$2,237,844,000. Operating expense is \$1,900,724,000, and net operating income for return is \$337,257,000.

6. It is just, reasonable, and appropriate as a matter of regulatory policy to establish a nuclear outage cost accrual mechanism for V. C. Summer Nuclear Unit 1 in the amount of \$17,188,807 per year. Any net balance created by this mechanism shall not bear interest.

7. It is just, reasonable, and appropriate as a matter of regulatory policy to establish an environmental remediation cost recovery mechanism for SCE&G's electric operations. That mechanism shall allow recovery through rates in the initial amount of \$240,000 per year. Amounts collected under this mechanism and actual amounts expended for environmental remediation activities related to SCE&G's electric operations shall be tracked in accounts established for that purpose.

8. It is just, reasonable, and appropriate as a matter of regulatory policy to continue the suspension of the collection of the storm damage reserve rider indefinitely, subject to future reinstatement by the Commission. SCE&G shall not recover the cost of its transmission and distribution storm damage insurance policy through rates and shall let that policy lapse at its next renewal date. These rulings are without prejudice to the

ability of the Company in the future to seek to recover extraordinary storm damage expenses through an after-the-fact storm damage recovery rider where conditions warrant. Furthermore, SCE&G may otherwise continue to administer the storm damage reserve and the current balances recognized in it as provided for in prior orders.

9. It is just, reasonable, and consistent with sound regulatory policy to allow SCE&G to recover one-half of the cost of incentive pay for its officers and employees through rates.

10. The evidence of record shows that SCE&G has not been deficient in any way in marketing wholesale power capacity. No reduction is warranted in the pro forma adjustment for future revenues from wholesale contracts as set forth in the Application and the testimony of Company witness Swan.

11. It is just, reasonable, and consistent with sound regulatory policy for SCE&G to implement a rate rider to recover current pension expense. That rate rider shall be initially calculated to recover \$11,443,665 per year. It shall be subject to an annual adjustment with notice to the ORS and approval by this Commission. In light of this rider, no adjustment to base rates shall be made for the recognition of current pension expenses.

12. The administration of the decrement rider that was approved in Order No. 2010-471 has resulted in an over-credit to customers of approximately \$3 million. It is just, reasonable, and appropriate as a matter of sound regulatory policy for this balance to be added to the unrecovered balance of SCE&G's fuel costs for future recovery in fuel cost adjustment proceedings.

13. In its Application, the Company sought an increase in annual revenues of \$151,502,000; however, as a result of the MOU, the net increase in operating revenues is reduced to \$97,075,000, not considering the reductions in base fuel costs and DSM/EE rates.

14. The capital structure for the determination of the fair overall rate of return for SCE&G in this proceeding is SCE&G's actual capital structure as of December 31, 2011, including known and measurable adjustments to both debt and equity. This adjusted capital structure consists of 47.82% long-term debt and 52.18% common equity.

15. The rate of return on common equity which SCE&G should be allowed the opportunity to earn through its electric rates is 10.25%.

16. The capital structure and cost of capital set forth above produce an overall rate of return of 8.20% for SCE&G's retail electric operations as depicted in the following table:

TABLE A
CAPITAL STRUCTURE

| <u>Component Of Capital Structure</u> | <u>Ratio</u> | <u>Embedded Cost/Rate</u> | <u>Overall Cost/Rate</u> |
|---|----------------|-------------------------------|------------------------------|
| Long Term Debt | 47.82% | 5.97% | 2.85% |
| Common Equity | 52.18% | 10.25% | 5.35% |
| | <u>100.00%</u> | | <u>8.20%</u> |

17. The rate designs set forth in the MOU and the testimony referenced in it are just and reasonable and supported by the evidence of record.

18. It is not just, reasonable, or appropriate as a matter of sound regulatory policy to require SCE&G to expand the pool of interruptible capacity credits available to its large general service customers. There is no need for additional interruptible capacity on SCE&G's system at this time. It is also not just, reasonable, or appropriate as a matter of sound regulatory policy to require SCE&G to expand the applicability of its Real Time Pricing ("RTP") tariff at this time. The RTP tariff is already available to all large general service customers adding incremental load to SCE&G's system.

19. In the MOU, SCE&G agrees not to seek an increase in its electric retail base rates and charges to be effective prior to January 1, 2015, except for rates approved under § 58-33-280, rates approved as part of SCE&G's DSM rate rider and Energy Efficiency programs, changes in Variable Environmental Cost Components approved under § 58-27-865, or other fuel factor adjustments approved under § 58-27-865 after April 1, 2014, except in all cases, where adjustments are necessary due to unforeseen extraordinary economic or financial conditions. The Commission finds that this agreement by SCE&G is just and reasonable and appropriate as a matter of regulatory policy.

20. SCE&G shall prepare and file with the Commission and provide copies to the parties of record the eWNA study as required under that agreement.

21. Pursuant to the terms of Order No. 2010-472, the factor for recovery of SCE&G's DSM costs and lost net margin revenues shall be reduced by the amount of the lost net margin revenue factor applicable at the close of the test period.

22. Simultaneously with implementing the base rate adjustments provided for in this order, SCE&G shall reduce its Base Fuel Component for all retail electric rates from 3.541 cents per kWh to 3.278 cents per kWh.

23. All amortizations of deferred amounts are set as annual amortization expense amounts and shall cease when the balances in the related deferral accounts have been fully recovered.

VII. EVIDENCE AND CONCLUSIONS

The evidence and conclusions supporting the findings of the Commission in this matter are as follows:

A. EVIDENCE AND CONCLUSIONS CONCERNING JURISDICTION (Finding of Facts Nos. 1-2)

SCE&G is an electric utility subject to the jurisdiction of the Commission pursuant to S.C. Code Ann. § 58-3-140(A) (Supp. 2011). Evidence concerning SCE&G's retail customers, service and service territory is contained in the Application in this proceeding and the testimony of the Company's President, Mr. Byrne. Tr. at 240-241.

B. EVIDENCE AND CONCLUSIONS CONCERNING THE TEST PERIOD (Finding of Fact No. 3)

In setting utility rates, South Carolina uses a historical twelve-month test period. 26 S.C. Code Ann. Regs. 103-823(A) (3). The historic test year is based upon actual results for the twelve-month period. However, the Commission has recognized adjustments to the actual results for known and measurable changes occurring after the close of the test period or to adjust for abnormal or non-recurring items in test period

data. The twelve months ending December 31, 2011, encompass the most recent calendar year for which accounting information was available at the time that the Application in this matter was filed. The Commission finds it to be a reasonable period upon which to base its ratemaking determinations in this proceeding.

C. EVIDENCE AND CONCLUSIONS CONCERNING THE RETAIL ELECTRIC RATE BASE

(Finding of Fact No. 4)

The South Carolina Supreme Court has defined rate base as “the amount of investment on which a regulated public utility is entitled to an opportunity to earn a fair and reasonable return . . . [and] represents the total investment in, or the fair value of, the used and useful property which it necessarily devotes to rendering the regulated services.” Hamm v. Public Service Commission, 309 S.C. 282, 285 fn.1, 422 S.E. 2d 110, 112 fn.1 (1992) (internal quotation marks and citation omitted). “[R]ate base should reflect the actual investment by investors in the Company’s property and value upon which stockholders will receive a return on their investment.” Parker v. S.C. Public Service Commission, 280 S.C. 310, 313, 313 S.E. 2d 290, 292 (S.C. 1984) (internal quotation marks, citation, and emphasis omitted).

The Commission has the statutory authority, after hearing, to “ascertain and fix the value of the whole or any part” of SCE&G’s rate base, and may “ascertain the value of all new construction, extensions, and additions” to such property. S.C. Code Ann. § 58-27-180 (Supp. 2011). ORS conducted an examination of SCE&G’s books and verified that the operating experience and rate base reported by SCE&G in its Application were supported by the Company’s accounting books and records. Tr. at

1130-1131. The results of ORS's examination were accepted by the MOU Parties for purposes of this proceeding and are summarized in Hearing Exhibit 19 (HNW-2). The only non-MOU Party, SCEUC, did not challenge any of the ORS's Adjustments or Recommendations regarding rate base, with the exception of an issue related to pension expense, which is discussed below. On the basis of ORS's examination, hearing exhibits, and testimony contained in the record of the hearing, the Commission can determine and find the proper components of SCE&G's rate base as well as the related accounting adjustments. The Commission hereby adopts the following as the Company's rate base for the test period ended December 31, 2011:

TABLE B
RATE BASE
RETAIL ELECTRIC
FOR THE TEST YEAR ENDING DECEMBER 31, 2011

| Rate \$\$ in 000's | Base |
|--|---------------------------|
| Gross Plant in Service | \$ 8,375,022 |
| Accumulated Depreciation | <u>\$ (3,154,652)</u> |
| Net Plant | \$ 5,220,370 |
| CWIP | \$ 182,885 |
| Deferred Debits/Credits | \$ (31,693) |
| Total Working Capital | \$ 98,164 |
| Materials & Supplies | \$ 329,506 |
| Accumulated Deferred Income Taxes | <u>\$ (956,708)</u> |
| Total Original Cost Rate Base | <u>\$4,842,524</u> |

**D. EVIDENCE AND CONCLUSIONS CONCERNING REVENUES,
EXPENSES AND INCOME**

(Findings of Fact Nos. 5-12)

Adjustments to the test year are required for known and measurable out-of-period changes in expenses, revenues and investments that would materially alter the rate base. Parker v. S.C. Public Service Commission, 280 S.C. at 312, 313 S.E.2d at 292. The Commission has reviewed the ORS Adjustments as set forth in the ORS testimony as identified in the MOU and as summarized in Hearing Exhibit 19 (HNW-2). Within the context of the comprehensive settlement of the rate and revenue issues in this proceeding that the MOU reflects, the Commission finds that adopting the ORS Adjustments will result in establishment of rates that are just and reasonable and that will fairly reflect SCE&G's cost of providing service when those rates go into effect.

We do note that ORS witness Webster described non-allowed expenses to include items such as donations, lobbying, alcoholic beverages, items deemed lavish, service awards, advertising as well as other miscellaneous items. Tr. at 1141. The Commission cautions the Company that items not allowed for ratemaking purposes should not be charged to the Company's ratepayers.

SCEUC was the only party that did not adopt the MOU. In its testimony, SCEUC challenged four of the ORS Adjustments. Tr. at 914, 956-961. As discussed more fully below, those are the: a) inclusion in SCE&G's revenue requirements of the full amount of a pro forma adjustment related to the expiration of a 250 megawatt ("MW") wholesale supply contract, b) inclusion in revenue requirements of one-half of the SCE&G test period incentive compensation expense, c) continued funding of SCE&G's defined

benefit pension plan and inclusion in rate base of deferred prior-period pension expenses, and d) inclusion in revenue requirements of SCE&G's Edison Electric Institute ("EEI") dues, less lobbying and charitable components.

**1. THE ADJUSTMENT FOR EXPIRATION OF THE 250 MW
WHOLESALE SUPPLY CONTRACT**

Through the testimony of its witness Mr. O'Donnell, SCEUC argued that the Commission should refuse to recognize \$9,600,000 of the \$30,003,000 pro forma adjustment to test period revenues that SCE&G has proposed to account for the expiration of a 250 MW wholesale supply contract. Tr. at 957-958. The evidence of record shows that this contract will expire on December 31, 2012, and the revenue that it provided during the test period will not be available from that point forward. Tr. at 268.

The contract in question was entered into nine years ago as SCE&G was preparing to bring on line the 869 MW Jasper Combined Cycle Natural Gas Plant. Tr. at 267-268, 295-296. As Mr. Byrne testified, during the design of the plant, SCE&G determined that it could create significant future savings for customers by expanding the plant's capacity beyond the then-current needs of its customers. *Id.* To support this investment, SCE&G entered a nine-year 250 MW sale to defray the cost of the additional capacity pending growth in its customers' needs. Tr. at 268, 296. Under the Utility Facility Siting and Environmental Protection Act, S.C. Code Ann. § 58-33-10 *et seq.*, the Commission approved the expanded plant design coupled with the associated capacity sale. Order No. 2002-19. Tr. at 296.

In this proceeding, SCEUC seeks to disallow a portion of the adjustment to revenue that has been proposed by the Company to account for the expiration of this 250

MW contract. To justify this disallowance, Mr. O'Donnell testified that he believed that SCE&G's efforts to remarket the 250 MW represented by the contract were "insufficient." Tr. at 957.

SCE&G's witnesses Mr. Byrne and Mr. Harris have testified that SCE&G's marketing efforts were in no sense inadequate. Tr. at 296-297, 757-762. Mr. Harris has testified that SCE&G's wholesale marketing department constantly monitors markets for purchase and sale opportunities. Tr. at 757. However, due to the structure of the market and current conditions in it, opportunities to make long-term capacity sales comparable to the soon-to-expire 250 MW contract do not exist at this time. Tr. at 759-761. Furthermore, Mr. Byrne and Mr. Harris testified that in light of customer demand growth and impending coal plant retirements, SCE&G now needs access to the full amount of the 250 MW that the existing contract represents. Tr. at 269, 296, 761. For that reason, SCE&G is not in a position to market the capacity reflected by this contract to wholesale customers because it needs the underlying capacity to support system reliability. Tr. at 296.

The Commission finds SCE&G's testimony concerning this matter is credible and warrants recognizing the full pro forma adjustment as requested. SCE&G's testimony in this regard is consistent with the Company's current Integrated Resource Plan which shows that even after the 250 MW contract expires SCE&G's capacity margin will be at the lower end of SCE&G's target reserve range until the second of the new nuclear units comes on line. The expiration of the 250 MW contract represents a known and

measurable change to test period revenues, and an adjustment to test period revenues equal to the full amount of associated revenue is supported by the evidence of record.

2. THE INCLUSION OF ONE-HALF OF SCE&G'S TEST PERIOD EXPENSE FOR EMPLOYEE INCENTIVE PAY

The Company proposed and the MOU Parties agreed to a pro forma adjustment of \$6,078,000 to reduce test period expenses by one-half of the incentive pay expense that the Company accrued during the test period. The result is that one-half of the incentive pay accrual for electric operations would remain as a test period expense for ratemaking purposes. This treatment of incentive or at-risk compensation is consistent with treatment afforded to this expense item in past rate cases for SCE&G and other electric utilities. Tr. at 708-709. However, in the stipulations underlying the Prior Rate Order, SCE&G agreed to forego recovery of this portion of its incentive pay expense with an express reservation of the right to argue that a different treatment should be afforded in subsequent proceedings. The seven MOU Parties agree that it is appropriate to allow SCE&G to recover one-half of this expense through rates as SCE&G had requested.

The only party that has objected to the recommendation is the SCEUC. Through its witness Mr. O'Donnell, SCEUC testified that SCE&G's incentive compensation represents a "luxury payout to SCE&G employees," and so should be disallowed in its entirety. Tr. at 959.

In his rebuttal testimony, SCE&G Senior Vice President for Administration, Mr. Phalen, testified that incentive compensation is an integral part of SCE&G's total compensation package for its employees. Tr. at 706. Incentive pay is also an accepted part of utility compensation systems. Tr. at 708-709. SCE&G regularly benchmarks its

total compensation package, including base pay, incentive pay, pension, and other benefits, against other utilities and non-utility employers. Tr. at 709-710. These are the entities with whom SCE&G competes to attract and retain skilled and qualified personnel. Those benchmarking exercises show that SCE&G's compensation levels are at or below market for competing companies. Tr. at 709-710. This fact has been demonstrated in practice by the number of interviewees who have recently declined offers of employment with SCE&G citing compensation issues. Tr. at 710, 727. In some cases, the inadequate size of SCE&G's at-risk compensation plan has been specifically mentioned as a reason for an interviewee not accepting an offer from SCE&G. Tr. at 727.

In addition, incentive compensation is an important tool that the Company uses to communicate key goals and business objectives to its employees in a way that motivates employees to embrace them and become accountable for accomplishing them. Tr. at 707. Substituting other forms of compensation for incentive compensation would eliminate those benefits.

The Commission finds Mr. Phalen's testimony concerning the nature, level and benefits of SCE&G's incentive compensation plan to be credible and convincing. This testimony indicates that incentive compensation is an accepted and necessary component of a utility company's compensation package, and the Company's compensation levels including incentive compensation are reasonable. The Commission finds that there are sound reasons for offering incentive compensation as part of a competitively reasonable compensation package. The Commission finds that the recovery of fifty percent of this

incentive compensation expense as embodied in the MOU adjustments is just and reasonable.

3. SCE&G's DEFINED BENEFIT PENSION PLAN

Prior to the 2008-2009 economic downturn, the performance of the assets in the Company's pension plan for employees allowed SCE&G to recognize income on its plan. Tr. at 815. In 2008, when market conditions changed, the Company began incurring pension expense rather than income. In response, pursuant to the Company's request, the Commission issued Order Nos. 2009-81 and 2010-471. These orders allowed SCE&G to defer for future recovery certain expenses. The amount, including the tax effect, deferred under these orders associated with electric utility operations is currently approximately \$33,049,000.

In his testimony in this proceeding, SCEUC witness Mr. O'Donnell requested that the Commission disallow any future payments into SCE&G pension accounts until the Company "migrates all employees to defined contribution plans." Tr. at 960. He bases this suggestion on his conclusion that SCE&G's defined benefit plan is a "relic of the past," and on his understanding that the plan is "currently fully funded." Id. Mr. O'Donnell also requested that the deferred amounts discussed above not be included in rate base where the Company would be allowed to earn a return on the capital they invest. Id. All of these requests are contrary to the MOU Adjustment and the ORS Recommendations.

In response, Mr. Swan testified that SCE&G's pension plan is not fully funded, as Mr. O'Donnell testified. Tr. at 813-814. Instead, while the plan meets minimum

regulatory funding requirements, it is under-funded to the extent that the current benefit obligations under the plan exceed the fair value of the plan's assets by approximately \$75,000,000. Id. Furthermore, Mr. Swan pointed out that the \$33,049,000 deferred liability amount which SCE&G and the MOU Parties would allow to be included in rate base is not the amount of this liability. Instead, the \$33,049,000 amount represents the net pension expenses that were incurred and recognized during the period 2008 to 2012, but which pursuant to Order Nos. 2009-81 and 2010-471, were not collected in rates. Tr. at 814-816. Under established rate making principles, costs that have been specifically deferred for future collection through rates are properly included in rate base. Tr. at 815-816. These are known and measurable liabilities of the Company which the Company has been required to fund with its own capital pending collection of the deferred amounts. Id. As indicated above, ORS and the other MOU Parties do not object to rate base treatment of these amounts.

The Commission accepts Mr. Swan's testimony on this point. In rate making, when a cost is deferred for future collection, the liability is recorded, but cash is not provided through rates to cover that liability. This resulting cash shortfall exists until the deferred amounts are recovered. The utility must cover the shortfall with its own capital, which increases the funds invested by the utility in its utility business. For this reason, the \$33,049,000 net balance of deferred pension costs reflects funds provided by SCE&G's investors to support its utility operations and so is properly included in rate base.

As to the continued viability of SCE&G's defined benefit plan, Mr. Phalen testified that a majority of electric utilities with whom SCE&G competes for employees continue to offer such plans. Tr. at 711-712. Furthermore, because of the recent turmoil in investment markets, these plans remain an important consideration to employees and potential employees in their career planning decisions. Tr. at 712.

SCE&G's current pension plan is an integral part of the Company's overall compensation package. Tr. at 711-712. As mentioned above, benchmarking shows that package to be at or below market when compared to those offered by SCE&G's competitors. Tr. at 710. If SCE&G's defined benefit plan were to be eliminated, for SCE&G to remain able to attract and retain a skilled and effective workforce, it would need to make offsetting increases in other aspects of the compensation plan. Tr. at 712. As Mr. Phalen testified, eliminating the defined benefit aspect of SCE&G's pension plan would require careful study and planning to ensure that such a change did not disrupt SCE&G's work force and its ability to recruit and retain qualified employees. Tr. at 702.

The Commission finds Mr. Phalen's testimony in this regard to be credible and convincing. For the reasons he suggests, the defined benefit plan is not a "relic" and it would not be appropriate for the Commission to order its termination in an abrupt and summary way. Nor would it be just or reasonable in this proceeding to deny recovery of SCE&G's current level of pension expense as Mr. O'Donnell suggests. Decisions as to what changes if any are needed in this plan are best left to the Company, subject to the ongoing oversight of ORS and the Commission.

4. EEI DUES

In 2012, SCE&G rejoined EEI after it let its membership lapse during the mid-1990s. In the Application, SCE&G presented a pro forma adjustment to include in revenue requirements its current EEI dues in the amount of \$200,000. In the MOU, the MOU Parties accepted the ORS adjustment to deduct from these EEI dues components related to lobbying and charitable contributions. Tr. at 1136. The resulting amount of EEI dues proposed for inclusion in revenue requirements is approximately \$151,336.

Mr. O'Donnell proposed that the Commission disallow this adjustment because the Company did not provide any evidence of a benefit to its operations from EEI membership. Tr. at 959. In response, Mr. Kissam filed testimony concerning the benefits that EEI provides in storm response planning and coordination, exchange of best practices and benchmarking information among utilities, peer learning and other information exchange among utilities, and the education of consumers concerning energy efficiency measures. Tr. at 432-425. The Commission finds that Mr. Kissam's testimony provides a sufficient and credible factual basis for determining that EEI membership does in fact provide benefits to SCE&G's operations sufficient to support treating a portion of the resulting dues as a prudent expense of electric operations. The Commission approves this adjustment as set forth in the MOU.

5. NUCLEAR OUTAGE ACCRUAL

(Finding of Fact No. 6)

As Company witness Byrne testified, V. C. Summer Nuclear Unit 1 ("Unit 1") operates on an 18-month outage cycle. Tr. at 264. During each nuclear outage, in

addition to refueling, important repair and inspection work is done to ensure the continued safe, reliable and efficient operation of the unit. Id. The scope and cost of such work varies significantly from outage to outage, and the benefit of work done during any given outage often extends over multiple outages. Tr. at 265.

Currently, SCE&G accrues the forecasted expense of each outage over the preceding 18 months. Id. Absent pro forma adjustments, the amount of the accrual during the test period is the outage expense reflected in electric rates. Because the amount of the accrual from outage to outage is highly variable, the amount accrued in a given test period may or may not provide an accurate reflection of the amount that will be accrued or the benefit that will be received while rates are in effect. Id.

To create greater consistency in these accruals, to better match the accrual period to the period over which benefits are received, and to better match rates to expenses, the Company proposes to establish a nuclear outage expense recovery mechanism. The mechanism would be initially established to recover the estimated expenses of the five upcoming Unit 1 outages. Tr. at 266-267. The outages in question are outage Nos. 21-25. The cost of these outages would be recovered over the 90-month cycle that the five outages represent. The levelized annual charge necessary to do so, based on current outage expense estimates, is \$17,188,807 per year. Id. The actual expenses of outages during this period may vary and would be tracked in the nuclear outage accrual account to which the recovery amount would also be applied. Id. The recovery amount would be subject to revision in future proceedings as circumstances warrant to ensure that the

estimated expenses going forward as well as any balance in these accounts is neither over-recovered or under-recovered. SCE&G does not request interest on these accounts.

For the reasons set forth in Mr. Byrne's testimony, the Commission finds that the establishment of the nuclear outage expense recovery mechanism as described above will lead to greater consistency in the recognition of outage expense for ratemaking purposes and will also allow a more precise matching of expense and benefits with collections. For those reasons, the Commission finds that the establishment of this mechanism as set forth above is just and reasonable and appropriate as a matter of sound regulatory policy.

6. CREATION OF AN ENVIRONMENTAL REMEDIATION ACCRUAL ACCOUNT FOR ELECTRIC OPERATIONS

(Finding of Fact No. 7)

Company witness Mr. Kissam testified in support of the Company's proposal to establish a cost recovery mechanism for environmental remediation costs associated with SCE&G's electric operations. Tr. at 411-414. Mr. Kissam testified that SCE&G has recently begun incurring expenses in remediating substation sites and disposal sites of obsolete electric distribution equipment. Tr. at 412-414. No recovery mechanism currently exists for environmental remediation costs as incurred by SCE&G's electric operations. A recovery mechanism for environmental remediation costs associated with SCE&G's gas operations has existed for some years. Tr. at 411. Under this mechanism, environmental remediation liabilities are credited to a liability account when criteria for recording contingencies are met. Amounts expected to be recovered through rates are recorded in a regulatory asset account, and an annual recovery amount is collected in rates to recover the costs in that account. Tr. at 793. Based on the current level of

remediation expense that SCE&G is incurring, SCE&G requested that the initial recovery amount for the environmental remediation expenses related to its electric operations be set at \$240,000 per year. Tr. at 793.

The Commission finds that it is just, reasonable, and appropriate as a matter of regulatory policy to establish the requested environmental remediation cost recovery mechanism for SCE&G's electric operations. Based on Mr. Kissam's testimony, the Commission finds that tracking environmental remediation expenses for SCE&G's electric operations in a regulatory asset account and establishing an annual collection amount for them will allow these costs to be reflected in rates in a predictable and consistent basis. Doing so will also provide for a more precise matching of costs and recovery. Costs of response, investigation, and remediation may be included in this deferred account. No interest shall be charged on these accounts.

**7. INDEFINITE SUSPENSION OF THE STORM DAMAGE
RIDER AND TERMINATION OF STORM DAMAGE
INSURANCE**

(Finding of Fact No. 8)

The storm damage reserve and the associated rate rider were established by the Commission in Order No. 1996-15. That order allowed SCE&G to apply storm response and restoration costs against the reserve to the extent that those costs exceeded \$2.5 million annually.

In Order No. 1996-15, the balance in the storm damage reserve was capped at \$50 million. This amount was increased to \$100 million by Order No. 2007-680, based on growth in the reserve balance and information indicating that the cost of a major

hurricane making landfall directly in SCE&G's service territory could cause damage that would exceed \$200 million. As of July 31, 2012, the reserve had a balance of \$30,102,980. Tr. at 1056. The collection of the rate rider was suspended by Order No. 2010-471. The rider would generate \$6,054,246 annually if reinstated as SCE&G requested in the Application. Id.

In 2007, SCE&G obtained an insurance policy to work in tandem with the storm damage reserve. This policy provides benefits after the Company has absorbed the first \$100 million in damages to SCE&G's transmission and distribution assets from a tropical wind storm. The policy covers the next \$70 million in damage subject to certain limitations related to the risk models on which the insurance was written. Tr. at 1058.

ORS witness Ford, SCEUC witness O'Donnell, and AARP witness Smith recommend terminating collection of the storm damage reserve rider. Tr. at 961, 1000, 1058. Witnesses Ford and O'Donnell recommend disallowing collection of the storm damage insurance premium, either through rates or through the storm damage reserve as allowed in past periods by Order No. 2010-471 and Order No. 2007-680. Tr. at 961, 1059. The result of such disallowance would be that SCE&G would allow the current storm damage policy to lapse. Tr. at 421. AARP witness Smith initially recommended allowing the storm damage insurance premiums to continue to be applied to the storm damage reserve, but this testimony was superseded by the AARP's agreement to the MOU, in which it adopted the position of ORS witness Ford on this matter. See Tr. at 1002.

Witnesses Ford and O'Donnell point out that if circumstances require it to do so in the future, SCE&G can come to the Commission to request after-the-fact recovery of storm damage expenses through a storm damage rider. Tr. at 1058, 961. They point to this as a better alternative for dealing with the risk of storm damage than reinstating the collection of the storm damage reserve or the funding of storm damage insurance. In the MOU, SCE&G agreed to ORS's recommendations, specifically basing its decision on ORS's willingness to support after-the-fact recovery of storm damage expenses through a storm damage rider if future circumstances warrant. Tr. at 420.

As indicated in the testimony of ORS witness Ford, the average annual level of storm damage expense applied to the reserve has been approximately \$1.2 million. Tr. at 1057. At that level of expense, it will be some years before the remaining storm reserve balance is exhausted. Nonetheless, absent reinstatement of collections, the balance in the reserve will decline in future years. Even at current levels, it would not be anticipated to cover the cost of a major storm making landfall in SCE&G's service territory. Tr. at 1058.

All parties to this proceeding, including the ORS, are in agreement that collection of the storm damage reserve rider should not be reinstated at this time, and the storm damage insurance policy that is linked to the reserve should be allowed to lapse. Company witness Kissam has testified that the availability of an after-the-fact rate rider to recover storm damage response and restoration costs is an acceptable alternative to the continued collection of the storm damage rider and storm damage insurance. Tr. at 419-420. For that reason, and considering the agreement of all parties to the

recommendations contained in the MOU, the Commission accepts the recommendation of the parties and finds it to be just and reasonable to rule that the storm damage reserve rider not be collected and the storm damage insurance policy be allowed to lapse.

8. COLLECTION OF CURRENT PENSION EXPENSE THROUGH A RATE RIDER

(Finding of Fact No. 11)

ORS witness Ford proposed that SCE&G be required to collect its current pension expense through a separately-stated rate rider and not recovered through base electric rates. Tr. at 1055-1056.

Under the current rate making approach for pension expenses, in each rate case, the pension expense incurred in the test period is recognized for ratemaking purposes. The resulting rate order sets the amount of pension expense that is recovered in each year that order is in effect.

Pension expenses, however, can vary significantly from year to year depending on conditions in financial markets and other factors. As ORS witness Ford testified, using a rate rider for recovery of pension expense would allow the Company to adjust its pension expense collections with an annual true-up. Tr. at 1055. Thus, the Company can adjust its pension expense collections in years when there is no rate case.

The MOU Parties have agreed with the recommendation to collect current pension expense through a rate rider. No party, including SCEUC, has provided any evidence challenging this recommendation. Accordingly, the Commission finds that it is just and reasonable to institute a rate rider for pension expense recovery as proposed by ORS witness Ford. This rate rider shall be set initially at \$.00051 per kWh. This amount

shall be subject to an annual adjustment, with notice to the ORS and approval by the Commission.

**9. AMOUNTS OVER-CREDITED TO CUSTOMERS
THROUGH THE 2010 DECREMENT RIDER**

(Finding of Fact No. 12)

SCE&G's last rate order was based on stipulations under which SCE&G agreed to credit to customers through a decrement rider: (a) approximately \$49 million related to Economic Impact Zone Tax Credits, and (b) approximately \$25 million that represented the amount of revenue that the Company would have foregone had eWNA been in force in the months before the Prior Rate Order was issued (collectively, the "Credit"). Where a decrement rider is used, it is not possible to credit a precise total to customers' bills without cutting the credit off in the middle of a billing cycle. Doing so would mean that customers at the end of the cycle would not receive the same credit as those at the beginning. For that reason, in the Prior Rate Order, the Commission specifically recognized that an over-credit would be required to ensure that all customers receive a full and comparable benefit from the Credit. The Prior Rate Order provided that the over-credit amount would be placed in a deferred account, with carrying charges, to be recovered in a future general rate case proceeding.

In her testimony, ORS witness Ford proposed that the over-credit be recovered by adding it to the under-collected balance in the Company's fuel cost accounts. The over-credit would then be collected as the balance in the fuel account is collected over time. This recommendation was accepted by the MOU Parties. The sole party that has not

signed the MOU, SCEUC, has not provided any testimony challenging this recommendation. The amount of the over-credit is approximately \$3 million.

The Commission adopts this recommendation and finds that doing so will ensure that the precise amount of the over-credit is collected in an efficient and effective way. Collecting the over-credit through the fuel clause requires no new rate rider or recovery factor to be calculated and so is not burdensome from a rate administration perspective. Given the relatively small size of the over-credit, including it in the fuel cost account will not have any disruptive effect on the calculation of the fuel factor. For these reasons, the Commission finds it to be just and reasonable to add the balance in the over-credit account to the under-collected balance in the Company's fuel cost recovery accounts.

10. OTHER EXPENSES AND RATE BASE ITEMS

(Finding of Fact No. 13)

In total, ORS sponsored approximately 69 pro forma adjustments to individual revenue, expense and rate base items at issue in this proceeding. See Hearing Exhibit 19 (HNW-2). Under the terms of the MOU, and for purposes of setting rates in this proceeding only, the MOU Parties accepted the pro forma adjustments as proposed by ORS and the revenue requirement they produce. Except as to the specific matters discussed and ruled on above, the only non-MOU Party, SCEUC, did not oppose the balance of the ORS pro forma adjustments or provide evidence to refute their reasonableness. Furthermore, the Commission finds that the evidence of record supports ORS's conclusion that the appropriate operating expenses for the Company's retail operations for the test year under its present rates and after accounting and pro forma

adjustments, is \$1,900,724, which reflects the effect of the pro forma adjustments as proposed by ORS and as discussed above.

E. EVIDENCE AND CONCLUSIONS REGARDING RATE OF RETURN

(Finding of Fact Nos. 14 and 16)

In setting rates, the Commission must determine a fair rate of return that the utility should be allowed the opportunity to earn after recovery of its expenses of utility operations. The applicable legal standards are set forth in Federal Power Commission v. Hope Natural Gas Co., 320 U.S. 591, 602-03 (1944), and Bluefield Water Works and Improvement Co. v. Public Service Commission of West Virginia, 262 U.S. 679, 692-93 (1923) and were adopted by the South Carolina Supreme Court in Southern Bell Telephone & Telegraph Co. v. S.C. Public Service Commission, 270 S.C. 590, 595-96, 244 S.E.2d 278, 281 (1978).

Specifically, Bluefield holds that:

What annual rate will constitute just compensation depends upon many circumstances, and must be determined by the exercise of a fair and enlightened judgment, having regard to all relevant facts. A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties; but it has no constitutional right to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures. The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties. A rate of return may be reasonable at one time and become too high or too low by changes affecting the opportunities for investment, the money market and business conditions generally.

Bluefield, 262 U.S. at 692-93, as quoted in Southern Bell Telephone, 244 S.E.2d at 281.

These cases also establish that the process of determining rates of return requires the exercise of informed judgment by the Commission. As the South Carolina Supreme Court stated,

The Commission was not bound to the use of any single formula or combination of formulae in determining rates. Its ratemaking function, moreover, involves the making of 'pragmatic adjustments' Under the statutory standard of 'just and reasonable' it is the result reached not the method employed which is controlling The ratemaking process under the Act, i.e., the fixing of 'just and reasonable' rates, involves the balancing of the investor and the consumer interests.

Southern Bell Telephone, 244 S.E.2d at 281 (quoting Hope, 320 U.S. at 602-03).

From these authorities, the Commission has derived the following four points to guide it in these matters:

- 1) The rate of return should be sufficient to allow SCE&G the opportunity to earn a return equal to firms facing similar risks;
- 2) The rate of return should be adequate to assure investors of the financial soundness of the utility and to support the utility's credit and ability to raise capital needed for on-going utility operations at reasonable cost;
- 3) The rate of return should be determined with due regard for the present business and capital market conditions facing the utility; and
- 4) The rate of return is not formula-based, but requires an informed expert judgment by the Commission balancing the interests of shareholders and customers.

See Order No. 2005-2 at 83. Finally, the Commission notes that "[t]he determination of a fair rate of return must be documented fully in its findings of fact and based exclusively

on reliable, probative, and substantial evidence on the whole record.” S.C. Ann. § 58-27-870(G) (Supp. 2011).

At the hearing in this matter, three witnesses specifically testified in support of an ROE of 10.25%, which is the ROE agreed to in the MOU. This 10.25% was the specific ROE recommendation made by ORS witness Carlisle in his direct testimony. Tr. at 1186. Mr. Hevert and Mr. Addison also testified to its reasonableness in light of the MOU and the comprehensive settlement of the issues in this case that it contains. Tr. at 508-509, 569-570. This ROE is 45 basis points lower than the ROE on which the Commission established rates for the Company in 2010. See Order No. 2010-471.

In his direct testimony, SCE&G’s witness Mr. Hevert provided evidence that a reasonable expectation of the return for equity investors in companies comparable to SCE&G would be between 10.75% and 11.50%. Tr. at 635. In his testimony at the hearing, Mr. Hevert noted that the ROE of 10.25% that is contained in the MOU is below the low end of his range but is still within his calculated range of reasonableness. Tr. at 569-570. Hevert supported setting rates based on an ROE at this level given the decision by the Company’s management that it could successfully operate the Company within the revenues resulting from the MOU as a whole. Id.

SCE&G witness Addison testified on direct in support of the Company’s initial requested ROE of 10.95%. Tr. at 486-487. In his MOU testimony, he stated that the Company was willing to accept the challenge of managing its finances within the 10.25% ROE contained in the MOU. Tr. at 508-509. He testified that the Company was taking a financial risk in accepting an ROE set at this level and that with rates set to generate a

return at this level, it could be a challenge for the Company to maintain access to capital on reasonable terms and to maintain the financial ratios necessary to support an investment grade bond rating going forward. Tr. at 508. Nevertheless, Mr. Addison testified that the financial community strongly favors negotiated settlements in rate proceedings and that, in the context of a comprehensive negotiated settlement of the proceeding, the 10.25% ROE agreed upon in the MOU would be acceptable to the investment community. Tr. at 508-509.

The only evidence in opposition to the ROE agreed to in the MOU came from the testimony of SCEUC witness Mr. O'Donnell. He testified that the Commission should set rates calculated to allow SCE&G the opportunity earn an ROE of 9.5%. Tr. at 937.

In response, Company witness Hevert provided a detailed analysis of why Mr. O'Donnell's ROE analysis diverged so dramatically from the other witnesses. Tr. at 649-680. A reasonable ROE expectation cannot be measured directly or accurately for a single company. For that reason, a reasonable ROE must be calculated using a proxy group of companies with similar risk profiles collectively as the subject company and which would be viewed collectively by investors as comparable to the subject company. Mr. O'Donnell included in his proxy group companies without significant coal or nuclear generating assets, companies that are 'wires only' distribution and transmission companies, and companies with credit ratings that are significantly higher than SCE&G's. Tr. at 651-655. All of these factors would reduce the collective risk profile of the proxy group and therefore lower the return on equity reasonably required of it by

investors. Including these companies in the proxy group for SCE&G understates SCE&G's required ROE.

In addition, in applying the Discounted Cash Flow ("DCF") model for estimating cost of equity, the future growth rate that is assumed for a company is a critical driver of its share price and so is determinative of the expected ROE that is reflected in that share price. In his DCF analysis, Mr. O'Donnell used a future growth rate which was based on his subjective estimate of future growth rates for companies in his proxy group. Tr. at 659. As Mr. Hevert pointed out, this means that a key component of Mr. O'Donnell's analysis cannot be reproduced by other parties. Tr. at 662.

Also, Mr. O'Donnell based his subjective determination of future growth rates on the consideration of a number of reported historical and future growth factors in things such as dividend growth, "plowback growth" rate, and historical (not future) Earnings Per Share ("EPS") growth rates. In his testimony, Mr. Hevert showed that many of the growth rate factors on which Mr. O'Donnell relied were sparsely reported and not generally accepted by the investment community for use in evaluating share prices and the associated cost of equity. Tr. at 655-660. Use of these factors was another significant weakness in Mr. O'Donnell's analysis.

Mr. Hevert also testified that the investment industry uses future projections of EPS growth in valuing the stock. Tr. at 656. He presented analyses showing the only growth rate that is strongly linked to share prices and, therefore, to ROE is future EPS growth which is the growth rate that Mr. Hevert used in his DCF analysis. Tr. at 657-658.

Mr. Hevert's other critiques of Mr. O'Donnell's methodology and conclusions are set forth in his rebuttal testimony and are credible. Tr. at 655-666.

Finally, both Mr. Hevert and Mr. Addison testified that an ROE set at the level suggested by Mr. O'Donnell would not pass the test of market reasonableness or financial practicality. Tr. at 496, 649-650. Mr. Hevert and Mr. Addison testified that rates set at the level suggested by Mr. O'Donnell would not allow the Company to maintain the coverage ratios and other financial metrics necessary to support an investment grade debt rating and a reasonable share price. Tr. at 496-498, 675-679. Maintaining this debt rating and a reasonable share price will be of critical importance in the coming years during which time the Company will raise approximately \$1 billion per year to finance its investment in the new nuclear units and other projects required to maintain the safety, reliability and efficiency of its electric system. Tr. at 498.

The Commission has carefully considered all of the evidence set forth above. For the reasons stated above, the Commission finds the ROE testimony and analysis of Dr. Carlisle, Mr. Hevert and Mr. Addison to be credible and to establish that the 10.25% ROE contained in the MOU is reasonable. All seven MOU Parties, including the ORS, support setting rates to allow the Company the opportunity to earn an ROE of 10.25%. A 10.25% ROE represents a significant reduction in the current 10.7% ROE for the Company. That reduction comes at a time when the Company will be seeking to raise large amounts of capital in uncertain national financial markets to support its current construction program. The Commission accepts as accurate the testimony of Company witness Addison that any further reduction at this time in the Company's ROE would put

the Company's revenues and its plan for financing its current construction program at undue risk. The Commission also accepts as accurate Mr. Addison's testimony that both customers and the Company will benefit from an ROE decision in this case that supports the Company's future ability to raise capital in national markets at reasonable rates.

Based on the preponderance of credible evidence in the record, and considering the broad range of parties that have agreed to the MOU, the Commission determines that it is just and reasonable to establish rates for SCE&G in this proceeding that allow it the opportunity to earn a 10.25% ROE.

F. EVIDENCE AND CONCLUSIONS REGARDING CAPITAL STRUCTURE

(Findings of Facts Nos. 15 and 16)

With respect to the Company's capital structure, Company witness Mr. Swan sponsored Exhibit No. 11 (JES-7) which sets forth the Company's capital structure as of December 31, 2011, including known and measurable adjustments. This information was audited by ORS and was presented at the hearing by ORS witness Webster in Hearing Exhibit 19 (HNW-6). It has been affirmed in the MOU.

The exhibits show that SCE&G's capital structure as of December 31, 2011, consisted of 47.82% long-term debt and 52.18% common equity. Exhibit No. 11 (JES-7) SCE&G's embedded costs for long-term debt was 5.97%. Id. The resulting overall rate of return after the rate adjustment authorized herein would be 8.20%.

SCEUC witness O'Donnell testified that the Commission should not compute the weighted average cost of capital for SCE&G based on SCE&G's capital structure but should use SCANA's capital structure instead. Tr. at 939-946. He argued that because

SCANA has a higher component of debt in its capital structure than does SCE&G, it would be unfair to use SCE&G's capital structure in calculating its weighted average cost of capital. Id. He grounded this claim of unfairness on the danger of SCANA increasing its returns through "double leveraging." Id.

In response, Mr. Addison testified that SCANA's capital structure is different from SCE&G's for historical reasons that do not involve SCE&G. Tr. at 499. In 2000, SCANA acquired the North Carolina gas distribution company PSNC Energy. Id. In making this acquisition, SCANA increased its leverage to reduce the number of shares necessary to be issued to support this acquisition. Tr. at 500. This reduction in the number of shares issued benefitted SCE&G because, by issuing fewer shares, SCANA incurred the obligation to pay dividends on fewer shares in future years. Id. This meant that more earnings could be retained in the Company and reinvested in SCE&G's utility businesses. Id. But for present purposes, the important point is that SCANA's capital structure reflects business requirements that are unrelated to SCE&G and its electric operations.

In addition, the higher ratio of equity to debt at SCE&G supports SCE&G's current credit ratings and is an important factor in SCE&G's ability to borrow money on favorable terms. Tr. at 499-500. SCE&G's debt ratings are higher than SCANA's and its borrowing costs are lower. As Mr. Addison testified, SCE&G's customers are saving hundreds of millions of dollars as a result of the terms on which SCE&G is able to borrow money given its credit profile. Tr. at 481-482. The Commission would mismatch costs and benefits if it calculated debt costs based on SCE&G's cost of borrowing and

then set rates based on SCANA's capital structure which does not support those debt costs. Tr. at 499.

Mr. Hevert testified that the use of SCANA's capital structure would create a further mismatch since both he and Mr. O'Donnell computed SCE&G's ROE using proxy groups whose equity ratios are consistent with SCE&G's but not SCANA's. Tr. 670-672. Mr. Hevert showed that the mean equity ratios of both his and Mr. O'Donnell's proxy groups are within 75 basis points of SCE&G's equity ratio. But SCANA's is much lower. It is 636 basis points lower than Mr. O'Donnell's proxy group and 751 basis points lower than Mr. Hevert's. Tr. at 670-671. All other things being equal, had these witnesses used proxy groups with lower equity ratios consistent with SCANA's, the results would have been ROEs higher than either Mr. O'Donnell or Mr. Hevert computed.

Furthermore, Mr. Addison and Mr. Hevert testified that as a practical matter setting rates using SCANA's capital structure would result in a significant reduction in SCE&G's cash flow from operations. Tr. at 500-501, 676-684. Mr. Addison testified that setting rates using the MOU Adjustments and Recommendations but based on SCANA's capital structure would make it impossible for the Company to maintain the financial ratios necessary to support its investment grade credit rating going forward. Tr. at 500. Mr. Hevert provided a detailed, empirical analysis of how shifting to SCANA's equity ratio would not allow SCE&G to maintain its current credit profile and would reduce key financial ratios to those reflected in the bottom quartile of Mr. O'Donnell's already more credit-challenged proxy group. Tr. at 675-678.

The Commission accepts as credible Mr. Addison's testimony and that of Mr. Hevert concerning the reasons why it would not be appropriate to use SCANA's capital structure in computing rates for SCE&G. Furthermore, from a regulatory policy perspective, the Commission recognizes the value of SCE&G maintaining a capital structure that allows its debt to be rated higher than SCANA's, particularly in light of the capital needs SCE&G faces in the coming years. Under the current structure, SCE&G's customers receive the benefits of lower debt costs at SCE&G as well as the benefit of less earnings dilution at SCANA. Furthermore, SCANA's subsidiary companies are not homogeneous, but operate in different contexts with different business risks and capital needs. It is logical that these different risk profiles would require different capital structures and different costs of capital. As a result, differences in SCANA's capital structure and that of certain of its subsidiaries are a normal and expected function of the nature of the business. For all the reasons set forth above, the Commission finds that it is just and reasonable to use SCE&G's capital structure in computing rates in this proceeding.

G. EVIDENCE AND CONCLUSIONS CONCERNING RATE DESIGN

(Finding of Fact No. 17)

1. GENERAL PRINCIPLES

An electric utility's rate structure should enable it to generate its revenue requirement without unduly burdening one class of customer to the benefit of another. Accordingly, rates for customer classes should reflect the cost incurred to serve each customer class and also should serve to encourage the efficient utilization of the electric system such that costs for all customer classes are minimized.

2. THE COMPANY'S COST OF SERVICE STUDY

A cost of service study allocates a company's rate base, revenues and expenses among its various customer classes and services. The Company's fully allocated cost of service study, showing the allocation of customer costs, demand costs and energy costs among customer classes, was sponsored by SCE&G witness Hendrix and entered into evidence as Exhibit No. 13 (JRH-2). ORS reviewed this study and audited the data on which it was based. ORS witness Seaman-Huynh testified that the methodology applied in performing the cost of service study was appropriate, and that the study provides a reasonable assessment and allocation of the Company's revenues, operating expenses and rate base items. Tr. at 1084. Based on this testimony and the terms of the MOU, the Commission adopts the cost of service study presented by SCE&G as the appropriate basis on which to allocate costs for the purposes of establishing and evaluating rates in this proceeding. See Hearing Ex. No. 13 (JRH-2).

3. ALLOCATION OF REVENUE

Retail electric rates should produce rates of return among customer classes that bear a reasonable relationship to the Company's overall rate of return. The Commission has accepted the principle that a customer class' rate of return bears a reasonable relationship to the overall rate of return so long as the rate of return for each customer class falls within plus 10% or minus 10% of the theoretical 100% level for the overall rate of return. See Order No. 2005-2, p. 109. At times, changing conditions may cause some customer classes to fall outside the 10% band that the Commission uses as its guide. Nonetheless, as the Commission has stated in past orders, typically there should

be movement towards more equal rates of return among the classes even where the 10% band cannot be reached immediately. See Order 1996-15, p. 70. As explained by SCE&G witness Mr. Hendrix, the Company uses the plus or minus 10% standard as a guide, but it believes that it is important to take measured steps when adjusting rates among classes of customers. Tr. at 842. Using similar principles, ORS witness Seaman-Huynh provided an allocation of the revenue requirement among rate classes reflecting MOU Adjustments and Recommendations. Hearing Exhibit 18 (MSH-2). That allocation has been accepted by the MOU Parties. Based on the MOU and on the testimony of Mr. Hendrix and Mr. Seaman-Huynh, the Commission adopts the allocation of revenue as set forth in the MOU.

4. BASIC FACILITIES CHARGE

In its Application, the Company proposed to increase the Basic Facilities Charge (“BFC”) for all customer classes. Mr. Hendrix testified that, even after the proposed increase, the amount of the BFC charge will still be significantly less than the actual expenditures necessary to provide customers with the ability to use electricity. Tr. at 844. The Company’s proposed increase for standard residential rates was \$1.25. In his testimony, ORS witness Seaman-Huynh requested that the Commission limit any increase to the BFC for the standard residential rates to \$0.50 or less. Tr. at 1087. The MOU parties have accepted this recommendation. For that reason, the Commission finds that the proposed BFC increases proposed by the Company for all non-residential rates to be just, reasonable, and appropriate as a matter of sound regulatory policy; and the

Commission agrees that the BFC increases for standard residential rates shall be limited to \$0.50.

5. ADDITIONAL INTERRUPTIBLE CAPACITY AND RTP CHANGES

(Finding of Fact No. 18)

SCEUC witness O'Donnell testified that members of the SCEUC would be interested in placing more of their load on SCE&G's interruptible tariff. Tr. at 967-968. This tariff provides large general service customers with credits on their bills for each kW they agree to interrupt when requested up to a maximum number of hours per year. SCE&G presently offers interruptible credits on a total of 150 MW of load.

As Company witness Hendrix testified, to expand the interruptible program by 100 MW the Company would need to shift \$5.4 million in revenue requirements to other customers to make up for the revenue lost through the additional credits. Tr. at 865-866. Other customers, however, would not receive a corresponding benefit, since SCE&G has no need for additional interruptible load at this time but will have sufficient capacity to meet requirements from existing resources in all but one of the next 15 years. *Id.* The Commission accepts Mr. Hendrix's testimony and finds that it is not just and reasonable to expand the interruptible program at this time.

Mr. O'Donnell also requested that SCE&G "expand its RTP [Real Time Pricing] rates," but did not specify how SCE&G should do so. Tr. at 968. As Mr. Hendrix testified, SCE&G's RTP rate is open to all industrial customers who place new or expanded load on SCE&G's system. The RTP rate is an experimental rate that charges incremental prices. Therefore, the recovery of fixed costs is not guaranteed under an

RTP rate. For that reason, the RTP rate is not designed to be a rate onto which customers place existing firm load but is instead intended as a rate for incremental load, whether from new or existing customers. As indicated in Mr. Hendrix's testimony, it is unnecessary to expand the program since all large general service customers adding incremental load to SCE&G's system qualify for it. Tr. at 866. For the reasons stated in Mr. Hendrix's testimony, the Commission does not find that it would be just and reasonable to expand the RTP rate.

H. EVIDENCE AND CONCLUSIONS REGARDING SUBSEQUENT RATE INCREASE REQUESTS AND FUEL FACTOR CHANGES

(Finding of Fact No. 19)

The MOU provides that SCE&G shall not seek an increase in its non-fuel base rates and charges to be effective prior to January 1, 2015, except those increases requested pursuant to S.C. Code Ann. § 58-27-865 and § 58-33-280 or as part of SCE&G's DSM/EE programs or where necessary due to extraordinary unforeseen economic or financial conditions. The MOU provides that the Base Fuel Component approved in this docket (but not the Environmental Cost Recovery Component of the fuel cost rider) shall remain in force until the last billing cycle of April 2014, under similar conditions and limitations.

South Carolina law allows electric utilities to file for rate relief and for fuel factor adjustments every 12 months. Nonetheless, the current proposal is made voluntarily by the Company pursuant to the MOU, and includes provisions that ensure that the Company can seek rate relief as required due to unforeseen conditions. As such, the

Commission finds that this proposal by the Company to forego rate adjustments as set forth in the MOU is just and reasonable and protects the public interest.

**I. EVIDENCE AND CONCLUSIONS REGARDING THE WEATHER
NORMALIZATION STUDY**

(Finding Of Fact No. 20)

Order No. 2010-471 provided for the implementation of an eWNA mechanism for residential and commercial customers receiving electric service under rate schedules 1, 6, 8, and 9. Under eWNA, energy rates for customers on these schedules are adjusted downward or upward to reflect normal weather conditions determined using the average temperature over the most recent fifteen (15) year period for which data is available. As Company witness Addison testified, under eWNA customers' bills are less sensitive to increases or decreases due to abnormal weather. In addition, the Company is able to operate more efficiently because its revenues are more stable and predictable. Since its inception through September 2012, eWNA has benefited customers by approximately \$53 million in lower bills.

AARP witness Smith challenged the value of the eWNA and requested its termination. In the MOU, AARP has agreed to withdraw this request in favor of a commitment by the Company to perform a study as to alternative structures for eWNA which it shall provide to the Commission, ORS and the parties by June 30, 2013. ORS has agreed to file with the Commission and to serve on the parties a report based on this study with recommendations by November 1, 2013. Thereafter, parties may request a hearing before the Commission to determine whether the eWNA should be modified or discontinued..

These provisions of the MOU are self-executing according to the agreement of the parties. The Commission reserves judgment on any matters that may arise out of the study referenced in the MOU until the results of that study are before it.

J. EVIDENCE AND CONCLUSIONS CONCERNING THE DSM RATE RIDER ADJUSTMENT

(Finding of Fact No. 21)

In Order No. 2010-472, the Commission approved a rate rider to allow SCE&G to recover its costs and lost net margin revenues as a result of its DSM programs pursuant to the terms of S.C. Code Ann. § 58-37-20. Lost net margin revenues are defined as retail revenue losses incurred as a result of lost retail sales due to new energy efficiency measures, net of fuel and other variable operation and maintenance costs. Order No. 2010-472 provides: "Recovery through the rate rider of net lost revenues pertaining to a group of measures adopted by customers in prior program years shall cease upon the implementation of new retail electric rates in a general rate case proceeding to the extent that those new rates explicitly or implicitly allow the Company to recover the net lost revenues associated with the implementation of those measures in those prior periods." In this case, net lost margin revenue due to DSM programs as of the close of the test period will be recovered through the rates set in this proceeding. For this reason, it is just, reasonable and appropriate as a matter of sound regulatory policy for an adjustment to be made to the DSM rider in the amount set forth in the testimony of Company witness Hendrix and confirmed by ORS witness Seaman-Huynh. Tr. at 850, 1091. That adjustment shall take place simultaneously with the implementation of the base rate adjustments provided for in this order.

**K. EVIDENCE AND CONCLUSIONS CONCERNING THE MID-PERIOD
FUEL FACTOR ADJUSTMENT**

(Finding of Fact No. 22)

Because of the recent decline in natural gas prices, SCE&G in its application proposed accelerating the benefit to customers from lower fuel costs by computing a mid-period adjustment in its Base Fuel Cost Component to take effect simultaneously with the base rate increase proposed here. When the Application in this matter was filed, SCE&G anticipated that its under-collection balance in the fuel account would be reduced to \$24,338,526 by December 31, 2012. SCE&G proposed that if the under-collected balance exceeded this amount in the future, SCE&G should be permitted to book carrying costs on the difference. See Tr. at 844-850.

The MOU Parties have agreed to this proposal and have also agreed that the carrying costs rate should be booked at the rate of interest on the 3-year United States Treasury Note plus 65 basis points. The MOU also states that SCE&G will not seek to change the Base Fuel Cost Component (but not the Variable Environmental Cost Component) of its fuel factor prior to April 1, 2014, except where necessary due to extraordinary unforeseen economic or financial conditions. Company witnesses Jackson and Hendrix testified in support of this proposal, and Ms. Jackson provided evidence concerning conditions in natural gas markets and other matters related to fuel cost. Tr. at 737-738. ORS witness Seaman-Huynh testified to ORS's review and support of this proposal. Tr. at 1088-1091. The MOU Parties have agreed to it. No party has presented evidence challenging it. See Tr. at 969.

For the reasons stated above, the Commission finds that it is just and reasonable to approve the proposal contained in the MOU that SCE&G reduce its Base Fuel Cost Component from 3.541 cents per kWh to 3.278 cents per kWh for all rates simultaneously with the implementation of the base rate adjustments contained in this order. The proposal as to carrying costs contained in the MOU is also approved.

VIII. CONCLUSION AND ORDER

After having heard the testimony of the witnesses and based on the Commission's review of the Application, the MOU, and the testimony and exhibits submitted during the hearing, the Commission adopts as just and reasonable and in the public interest all terms and provisions of the MOU as a comprehensive compromise resolution of all issues. This includes the accounting adjustments, the increase of the Company's retail revenues in the amount of \$97,075,000 (without the fuel and DSM adjustments) and the ROE of 10.25%.

IT IS THEREFORE ORDERED THAT:

1. The MOU, entered into the record in this docket and attached hereto as Order Exhibit No. 1, is adopted and approved as just and reasonable. The matters contained in the MOU, the ORS Adjustments and Recommendations, and the other relief requested by the Company which has not been modified or disallowed by the terms of the MOU or the ORS Adjustments and Recommendations, are hereby adopted as the appropriate resolution to the matters at issue in this proceeding.
2. The MOU Parties shall abide by all terms of the MOU.

3. SCE&G shall implement the rates, charges, terms and conditions attached hereto as Order Exhibit No. 2 which shall apply to service rendered on and after January 1, 2013. The Company shall file said items in tariff form with this Commission. The tariffs should be electronically filed in a text searchable PDF format using the Commission's DMS System (<http://dms.psc.sc.gov>). An additional copy should be sent via email to etariff@psc.sc.gov to be included in the Commission's ETariff System (<http://etariff.psc.sc.gov>). Future revisions to the tariffs should be made using the ETariff System. The tariffs shall be consistent with the findings of this Order and agreements with the other parties to this case. The tariffs shall be consistent with the Commission's Rules and Regulations, and shall be filed as stated within 10 days of receipt of this Order.
4. An ROE of 10.25% is adopted as just and reasonable and in the public interest.
5. The net increase in SCE&G's retail electric revenues on a pro-forma test-year basis of \$97,075,000 without the base fuel and DSM/EE adjustments is adopted as just and reasonable and in the public interest.
6. SCE&G shall reduce its Base Fuel Cost Component from 3.541 cents per kWh to 3.278 cents per kWh for all rates simultaneously with the implementation of the base rate adjustments contained in this order. This fuel rate reduction results in a revenue requirement reduction of \$57,636,810.

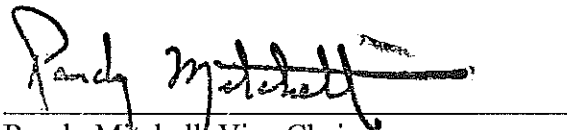
7. SCE&G shall implement the proposed DSM/EE rate reduction, resulting in a revenue requirement reduction of \$7,765,239.
8. The net result of Ordering Paragraphs 5-7 produces a revenue requirement increase of \$31,672,950, which we find is just and reasonable and in the public interest.
9. SCE&G shall not seek an increase to its non-fuel base rates and charges to be effective prior to January 1, 2015, except those increases requested pursuant to S.C. Code Ann. § 58-27-865 and § 58-33-280, or as part of SCE&G's DSM programs or where necessary due to extraordinary unforeseen economic or financial conditions.
10. SCE&G shall not seek an increase in the Base Fuel Cost Component of its fuel cost factor to be effective prior to the last billing cycle of April 2014, except where necessary due to extraordinary unforeseen economic or financial conditions.
11. SCE&G may book carrying costs on the unrecovered balance contained in its fuel cost recovery account at the rate of interest paid by 3-year United States Government Treasury Notes, as reported by the *Wall Street Journal*, plus an all-in spread of 65 basis points to the extent that this unrecovered balance exceeds \$24,338,526.
12. The rate design and rate changes reflected in the MOU are approved as just and reasonable and in the public interest.

13. The Company shall apply the over-credit resulting from the decrement riders approved in Order No. 2010-471 to the unrecovered balance in the fuel cost recovery account.
14. The Company shall prepare and provide to the Commission and parties the eWNA report provided for therein.
15. The Company's DSM rate rider shall be adjusted as provided for above.
16. All other requests are hereby denied.
17. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


David A. Wright, Chairman

ATTEST:


Randy Mitchell, Vice Chairman
(SEAL)

MEMORANDUM OF UNDERSTANDING

BY AND BETWEEN

**SOUTH CAROLINA ELECTRIC & GAS COMPANY,
WAL-MART STORES EAST, LP AND SAM'S EAST, INC.,
FRANK KNAPP JR., THE DEPARTMENT OF THE NAVY, AARP, AND
THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF**

WHEREAS, South Carolina Electric & Gas Company ("SCE&G") filed an application for increases and adjustments to its electric rate schedules and tariffs and request for mid-period reduction in base rates for fuel on June 29, 2012, with the Public Service Commission of South Carolina ("Commission") in Docket No. 2012-218-E.

WHEREAS, Wal-Mart Stores East, LP and Sam's East, Inc., ("Walmart"), Frank Knapp, the Department of the Navy, and AARP timely intervened opposing SCE&G's Application.

WHEREAS, pursuant to S.C. Code Ann. § 58-4-10 (Supp. 2011), the South Carolina Office of Regulatory Staff ("ORS") is the state agency charged with the statutory duty of representing the public interest of South Carolina in utility regulation and is a party to every proceeding before the Commission.

WHEREAS, SCE&G, Walmart, Frank Knapp, the Department of the Navy, AARP, and ORS (hereinafter referred to collectively as the "Parties" and individually as "Party") have reached agreement on specific matters pending before the Commission in Docket No. 2012-218-E.

WHEREAS, AARP, Frank Knapp, SCE&G and ORS have reached agreement to review the eWNA program as described more fully below in paragraph 6.

The Parties hereby enter into the following Memorandum of Understanding dated and effective on **November 19, 2012**.

1. The Parties agree to a rate of return on equity ("ROE") of 10.25% for SCE&G and accept ORS's proposed recommendations set forth in ORS Witnesses Michael R. Cartin, Leigh C. Ford, and Michael Seaman-Huynh's testimony and exhibits and the accounting adjustments set forth in ORS Witness Henry N. Webster's Audit Exhibits HNW-1 and 2. With regard to the pension rider described in ORS Witness Leigh C. Ford's testimony, the initial rate for the pension rider is \$.00051 per kWh which will be reviewed annually.
2. The Parties agree that the net revenue increase, after incorporating the proposed fuel and Demand Side Management ("DSM") decreases, using an ROE of 10.25%, and accepting ORS's recommendations and accounting adjustments is \$31,672,950. The allocation of the net revenue increase is shown by the net

percent increases by class in Exhibit MSH-1 of ORS Witness Michael Seaman-Huynh.

3. SCE&G proposes a reduction to its Base Fuel Component to 3.278 cents per kWh (the "Proposed Factor"), which would equal a fuel decrease of \$57,636,810. The Parties agree that the Proposed Factor shall be in effect for the period of January 1, 2013 through the last billing cycle of April 2014. The Parties also agree that SCE&G is allowed to collect carrying costs at a rate equal to the 3-year United States Treasury Note plus 65 basis points on amounts that exceed the forecasted under-collected balance as of December 31, 2012 of \$24,338,526.
4. SCE&G shall not seek an increase in its retail base rates and charges to be effective prior to January 1, 2015, except for those approved under Section 58-33-280, rates approved as part of SCE&G's DSM rate rider and Energy Efficiency programs, or rates approved under Section 58-27-865 after April 1, 2014, except where necessary due to unforeseen extraordinary economic or financial conditions.
5. The Parties agree to stipulate into the record before the Commission without cross-examination the testimony and exhibits (where applicable) of the witnesses identified below. The Parties, however, reserve the right to engage in redirect examination of witnesses as necessary to respond to issues raised during the examination of their respective witnesses, if any, by any non-settling party or by late-filed testimony.

SCE&G Witnesses

- i) Stephen A. Byrne (direct and rebuttal)
- ii) W. Keller Kissam (direct and rebuttal)
- iii) Jimmy E. Addison (direct and rebuttal)
- iv) Robert B. Hevert (direct and rebuttal)
- v) James E. Swan, IV (direct and rebuttal)
- vi) Rose M. Jackson (direct)
- vii) John R. Hendrix (direct and rebuttal)
- viii) Martin K. Phalen (rebuttal)
- ix) Marcus M. Harris (rebuttal)

ORS Witnesses

- i) Michael R. Cartin (direct and surrebuttal)
- ii) Michael L. Seaman-Huynh (direct)
- iii) Leigh C. Ford (direct)
- iv) Kelvin L. Major (direct)
- v) Joseph W. Coates (direct)
- vi) Henry N. Webster, II (direct)
- vii) Dawn M. Hipp (direct)
- viii) Douglas H. Carlisle, Ph. D. (direct)

Department of the Navy Witness

Nicholas Phillips, Jr. (direct)

Walmart Witness

Steve W. Chriss (direct)

AARP Witness

Ralph C. Smith (direct)

6. The AARP has questioned whether the eWNA is beneficial to residential customers. AARP members have voiced concern that, in its present form, the eWNA does not promote conservation and contributes to monthly electric bills that are unpredictable and confusing. AARP and ORS have therefore proposed, and SCE&G has agreed, that SCE&G shall conduct a study using historical data and issue a report no later than June 30, 2013. The study will examine the impact to customers if the following modifications were incorporated into the eWNA: (1) the impact of including a cap on the amount of the adjustment applied to a customer's monthly bill and if so, the amount of the cap; (2) the impact of including only the four (4) summer and four (4) winter months; and (3) the impact of excluding a base amount that is non-weather sensitive from the eWNA calculation. The study shall be filed with the Commission and copies provided to all Parties of record in this docket. ORS will analyze and review the SCE&G study and file a report with the Commission detailing the ORS's findings and recommendations for the eWNA no later than November 1, 2013. ORS shall provide a copy of its report to all Parties of record in this docket. Subsequent to

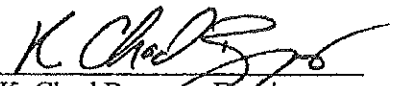
the filing of the ORS report, any Party may request a hearing before the Commission to determine whether the eWNA should be modified or discontinued.

7. The Parties agree that this Memorandum of Understanding may be amended only by writing signed by the Parties.
8. The Parties agree that signing this Memorandum of Understanding (a) will not constrain, inhibit, impair, or prejudice their arguments or positions on remaining matters in this Docket or held in future or collateral proceedings, (b) will not constitute a precedent or evidence of acceptable practice in future proceedings, and (c) will not limit the relief, rates, recovery or rates of return that any Party may seek or advocate in any future proceeding. If the Commission declines to approve this Memorandum of Understanding, then any Party desiring to do so may withdraw from the Memorandum of Understanding without penalty or obligation.

[PARTY SIGNATURES TO FOLLOW ON SEPARATE PAGES]

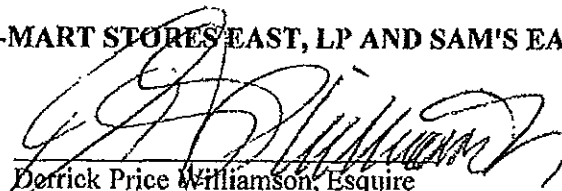
IN WITNESS WHEREOF, this Memorandum of Understanding has been executed on the date first written above.

SOUTH CAROLINA ELECTRIC & GAS COMPANY

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THE DEPARTMENT OF THE NAVY

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AARP

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TIME WARNER CABLE, INCORPORATED

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SOUTH CAROLINA ELECTRIC & GAS COMPANY

ELECTRICITY

RATE 1

RESIDENTIAL SERVICE
GOOD CENTS RATE

AVAILABILITY

Effective January 15, 1996 this schedule is closed and not available to any new structure.

This rate is available to customers who meet the Company's Good Cents requirements and use the Company's standard service which is specified as a single point of delivery per premises from an existing overhead distribution system to individually metered private residence and individually metered dwelling units in apartment structures or other multi-family residential structures. It is not available for resale service nor shall service be supplied to dwelling units having a total of more than ten rooms, five or more of which are rented or offered for rent to any person or persons not a member, or members, of the immediate family of the owner or lessor of the dwelling units.

A dwelling unit is defined as a room or group of rooms having, in addition to living quarters, kitchen facilities for the sole use of the family or individual occupying such dwelling unit.

CERTIFICATION REQUIREMENTS

Prior to construction, the customer or prospective customer must contact the Company to ascertain the requirements of the Good Cents Program and to arrange for on-site inspections for compliance.

The dwelling unit must be certified by the Company to meet or exceed the Company's Good Cents Program requirements in force at the time of application in order to qualify for service under this rate schedule.

CHARACTER OF SERVICE

Alternating Current, 60 hertz, single phase, 120 volts, 2 wire or 120/240 volts 3 wire.

RATE PER MONTH

| | <u>Summer</u> (Billing Months June-September) | <u>Winter</u> (Billing Months October-May) |
|---------------------------------|---|--|
| Basic Facilities Charge: | \$ 9.50 | \$ 9.50 |
| Plus Energy Charge: | | |
| First 800 kWh @ | \$ 0.12301 per kWh | \$ 0.12301 per kWh |
| Excess over 800 kWh @ | \$ 0.13544 per kWh | \$ 0.11802 per kWh |

MINIMUM CHARGE

The monthly minimum charge shall be the basic facilities charge as stated above.

ADJUSTMENT FOR FUEL AND VARIABLE ENVIRONMENTAL COSTS

Fuel costs of \$.03371 per kWh are included in the energy charge and are subject to adjustment by order of the Public Service Commission of South Carolina.

DEMAND SIDE MANAGEMENT COMPONENT

The energy charges above include a DSM component of \$.00086 per kWh for Demand Side Management expenses.

PENSION COSTS COMPONENT

The energy charges above include a Pension Costs component of \$.00051 per kWh as approved by the Public Service Commission of South Carolina.

STORM DAMAGE COMPONENT

Inclusion of a storm damage component has been indefinitely suspended until further order of the Public Service Commission of South Carolina.

SALES AND FRANCHISE TAX

To the above will be added any applicable sales tax, franchise fee or business license tax which may be assessed by any state or local governmental body.

PAYMENT TERMS

All bills are net and payable when rendered.

SPECIAL PROVISIONS

The Company will furnish service in accordance with its standard specifications. Non-standard service will be furnished only when customer pays the difference in costs between non-standard service and standard service or pays the Company its normal monthly facility charge based on such difference in costs.

TERM OF CONTRACT

Contracts shall be written for a period of not less than one (1) year. A separate contract shall be written for each meter at each location.

GENERAL TERMS AND CONDITIONS

The Company's General Terms and Conditions are incorporated by reference and are a part of this rate schedule.

RATE 2**LOW USE RESIDENTIAL SERVICE****AVAILABILITY**

This rate is available to customers that meet the special conditions listed below, and are served by the Company's standard service which is specified as a single point of delivery per premises from an existing overhead distribution system to individually metered private residences and individually metered dwelling units in apartment structures or other multi-family residential structures. It is not available for resale service nor shall service be supplied to dwelling units having a total of more than ten rooms, five or more of which are rented or offered for rent to any person or persons not a member, or members, of the immediate family of the owner or lessor of the dwelling units.

A dwelling unit is defined as a room or group of rooms having, in addition to living quarters, kitchen facilities for the sole use of the family or individual occupying such dwelling unit.

SPECIAL CONDITIONS OF SERVICE

- 1) This rate schedule is available to those accounts where the consumption has not exceeded 400 kWh for each of the twelve billing months preceding the billing month service is to be initially billed under this rate schedule. The customer must have occupied the dwelling unit for the entire time necessary to determine eligibility under this rate schedule.
- 2) Consumption during a billing period of more than 30 days, used to determine eligibility under this rate schedule, shall be adjusted to a 30 day billing period by application of a fraction, the numerator of which shall be 30 and the denominator of which shall be the actual number of days in the billing period.
- 3) The second billing month within a twelve billing month period that consumption under this rate schedule exceeds 400 kWh will terminate eligibility under this rate schedule.
- 4) Service will be billed under the previous rate schedule the next twelve billing periods before the customer will again be eligible for the Low Use Rate.

CHARACTER OF SERVICE

Alternating Current, 60 hertz, single phase, 120 volts, 2 wire or 120/240 volts 3 wire.

RATE PER MONTH

Basic Facilities Charge: \$ 9.50

Plus Energy Charge:

All kWh @ \$ 0.09490 per kWh

MINIMUM CHARGE

The monthly minimum charge shall be the basic facilities charge as stated above.

ADJUSTMENT FOR FUEL AND VARIABLE ENVIRONMENTAL COSTS

Fuel costs of \$.03371 per kWh are included in the energy charge and are subject to adjustment by order of the Public Service Commission of South Carolina.

DEMAND SIDE MANAGEMENT COMPONENT

The energy charges above include a DSM component of \$.00086 per kWh for Demand Side Management expenses.

PENSION COSTS COMPONENT

The energy charges above include a Pension Costs component of \$.00051 per kWh as approved by the Public Service Commission of South Carolina.

STORM DAMAGE COMPONENT

Inclusion of a storm damage component has been indefinitely suspended until further order of the Public Service Commission of South Carolina.

SALES AND FRANCHISE TAX

To the above will be added any applicable sales tax, franchise fee or business license tax which may be assessed by any state or local governmental body.

PAYMENT TERMS

All bills are net and payable when rendered.

SPECIAL PROVISIONS

The Company will furnish service in accordance with its standard specifications. Non-standard service will be furnished only when the customer pays the difference in costs between non-standard service and standard service or pays to the Company its normal monthly facility charge based on such difference in costs.

TERM OF CONTRACT

Contracts shall be written for a period of not less than one (1) year. A separate contract shall be written for each meter at each location.

GENERAL TERMS AND CONDITIONS

The Company's General Terms and Conditions are incorporated by reference and are a part of this rate schedule.

RATE 3

MUNICIPAL
POWER SERVICE

AVAILABILITY

This rate is available to municipal customers using the Company's standard service which is specified as a single point of delivery per premises from an existing overhead distribution system. This includes all municipally owned and operated facilities for power purposes including, but not restricted to public buildings and pumping stations. It is not available for resale or standby service.

CHARACTER OF SERVICE

Alternating Current, 60 hertz. Voltage and phase at the option of the Company.

RATE PER MONTH

Basic Facilities Charge: \$ 20.25

Plus Energy Charge:

All kWh @ \$ 0.10796 per kWh

MINIMUM CHARGE

The monthly minimum charge shall be the basic facilities charge as stated above, provided however, when construction costs exceed four (4) times the estimated annual revenue excluding fuel revenue to be derived by the Company, the customer may make a contribution in aid of construction of the excess cost or pay the Company's standard facility rate on the excess construction cost in addition to the rate charges above.

ADJUSTMENT FOR FUEL AND VARIABLE ENVIRONMENTAL COSTS

Fuel costs of \$.03385 per kWh are included in the energy charge and are subject to adjustment by order of the Public Service Commission of South Carolina.

DEMAND SIDE MANAGEMENT COMPONENT

The energy charges above include a DSM component of \$.00105 per kWh for Demand Side Management expenses.

PENSION COSTS COMPONENT

The energy charges above include a Pension Costs component of \$.00051 per kWh as approved by the Public Service Commission of South Carolina.

STORM DAMAGE COMPONENT

Inclusion of a storm damage component has been indefinitely suspended until further order of the Public Service Commission of South Carolina.

SALES AND FRANCHISE TAX

To the above will be added any applicable sales tax, franchise fee or business license tax which may be assessed by any state or local governmental body.

PAYMENT TERMS

All bills are net and payable when rendered.

SPECIAL PROVISIONS

Service shall not be supplied under this rate for establishments of a commercial nature, nor to operations primarily non-municipal. Under no conditions will the Company allow the service to be resold to or shared with others.

The Company will furnish service in accordance with its standard specifications. Non-standard service will be furnished only when the customer pays the difference in costs between non-standard service and standard service or pays to the Company its normal monthly facility charge based on such difference in costs.

TERM OF CONTRACT

Contracts shall be written for a period of not less than ten (10) years. Contracts shall be written for a period of not less than ten (10) years.

GENERAL TERMS AND CONDITIONS

The Company's General Terms and Conditions are incorporated by reference and are a part of this rate schedule.

Effective Upon Approval of The Public
Service Commission of South Carolina

RATE 5

RESIDENTIAL SERVICE
TIME OF USE
(Page 1 of 2)

AVAILABILITY

This rate is available on a voluntary basis to customers using the Company's standard service which is specified as a single point of delivery per premises from an existing overhead distribution system to individually metered private residences and individually metered dwelling units in apartment structures or other multi-family residential structures. It is not available for resale service nor shall service be supplied to dwelling units having a total of more than ten rooms, five or more of which are rented or offered for rent to any person or persons not a member, or members, of the immediate family of the owner or lessor of the dwelling units.

A dwelling unit is defined as a room or group of rooms having, in addition to living quarters, kitchen facilities for the sole use of the family or individual occupying such dwelling unit.

CHARACTER OF SERVICE

Alternating Current, 60 hertz, single phase, 120 volts, 2 wire or 120/240 volts 3 wire.

RATE PER MONTH

I. Summer Months of June-September

| | |
|---|--------------------|
| A. Basic Facilities Charge: | \$ 13.50 |
| B. Energy Charge: | |
| All on-peak kWh @ | \$ 0.29317 per kWh |
| All off-peak kWh @ | \$ 0.09693 per kWh |
| C. Minimum Bill: | |
| The monthly minimum charge shall be the basic facilities charge | |

II. Winter Months of October-May

| | |
|---|--------------------|
| A. Basic Facilities Charge: | \$ 13.50 |
| B. Energy Charge: | |
| All on-peak kWh @ | \$ 0.26383 per kWh |
| All off-peak kWh @ | \$ 0.09693 per kWh |
| C. Minimum Bill: | |
| The monthly minimum charge shall be the basic facilities charge | |

DETERMINATION OF ON-PEAK HOURS

A. On-Peak Hours:

Summer Months of June-September:

The on-peak summer hours are defined as the hours between 2:00 p.m.-7:00 p.m., Monday-Friday, excluding holidays.*

Winter Months of October-May:

The on-peak winter hours are defined as the hours between 7:00 a.m.-12:00 noon, Monday-Friday, excluding holidays.*

B. Off-Peak Hours:

The off-peak hours in any month are defined as all hours not specified as on-peak hours.

*Holidays are: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

ADJUSTMENT FOR FUEL AND VARIABLE ENVIRONMENTAL COSTS

Fuel costs of \$.03371 per kWh are included in the energy charge and are subject to adjustment by order of the Public Service Commission of South Carolina.

DEMAND SIDE MANAGEMENT COMPONENT

The energy charges above include a DSM component of \$.00086 per kWh for Demand Side Management expenses.

PENSION COSTS COMPONENT

The energy charges above include a Pension Costs component of \$.00051 per kWh as approved by the Public Service Commission of South Carolina.

STORM DAMAGE COMPONENT

Inclusion of a storm damage component has been indefinitely suspended until further order of the Public Service Commission of South Carolina.

SALES AND FRANCHISE TAX

To the above will be added any applicable sales tax, franchise fee or business license tax which may be assessed by any state or local governmental body.

PAYMENT TERMS

All bills are net and payable when rendered.

Effective Upon Approval of The Public
Service Commission of South Carolina

RATE 5

RESIDENTIAL SERVICE
TIME OF USE
(Page 2 of 2)

SPECIAL PROVISIONS

The Company will furnish service in accordance with its standard specifications. Non-standard service will be furnished only when the customer pays the difference in costs between non-standard service and standard service or pays to the Company its normal monthly facility charge based on such difference in costs.

The Company shall have the right to install and operate special metering equipment to measure customer's loads or any part thereof and to obtain any other data necessary to determine the customer's load characteristics.

The Company's levelized payment plans are not available to customers served under this rate schedule.

TERM OF CONTRACT

Contracts shall be written for a period of not less than one (1) year. A separate contract shall be written for each meter at each location.

GENERAL TERMS AND CONDITIONS

The Company's General Terms and Conditions are incorporated by reference and are a part of this rate schedule.

Effective Upon Approval of The Public
Service Commission of South Carolina

RATE 6

RESIDENTIAL SERVICE
ENERGY SAVER / CONSERVATION RATE
(Page 1 of 2)

AVAILABILITY

This rate is available to customers using the Company's standard service which is specified as a single point of delivery per premises from an existing overhead distribution system to individually metered private residences and individually metered dwelling units in apartment structures or other multi-family residential structures. It is not available for resale service nor shall service be supplied to dwelling units having a total of more than ten rooms, five or more of which are rented or offered for rent to any person or persons not a member, or members, of the immediate family of the owner or lessor of the dwelling units.

A dwelling unit is defined as a room or group of rooms having, in addition to living quarters, kitchen facilities for the sole use of the family or individual occupying such dwelling unit.

The builder or homeowner must provide the following:

- 1) For new homes only - Proof that home meets the Council of American Building Officials Model Energy Code.
- 2) Receipts showing the purchase and installation of a new AC unit that meets the requirements as shown below.
- 3) A certificate issued by an installer showing a wall total cavity R value of 15 (R-15).
- 4) Certification from builder stating that requirements have been met.

The Company may perform an on-site audit to verify that customer meets availability requirements as stated herein.

THERMAL AND AIR CONDITIONING REQUIREMENTS FOR ENERGY CONSERVATION

The following requirements are predicated on the Council of American Building Officials Model Energy Code and subject to change with a change in the Council of American Building Officials Model Energy Code. Sufficient application of thermal control products and specified air conditioning requirements must be met to satisfy the minimum standards outlined below:

- Ceilings:** Ceilings of newly constructed homes shall be insulated with a total "as installed" thermal resistance (R) value of 30 (R-30).
Ceilings of manufactured housing shall be insulated with a thermal resistance (R) value of 30 (R-30).
Ceilings of existing housing shall be insulated with a total "as installed" thermal resistance (R) value of 38 (R-38).
- Lighting:** Recessed ceiling lights shall be sealed.
- Walls:** Walls exposed to the full temperature differential (TD), or unconditioned areas, shall have a total cavity R value of 15 (R-15).
*This is not a requirement for existing housing.
- Floors:** Floors over crawl space or crawl space walls shall have insulation installed having a total R value of 19 (R-19).
100% of the exposed earth in a crawl space shall be covered with a vapor barrier of no less than (4) mils.
- Windows:** Windows shall be insulated (double) glass or have storm windows.
- Doors:** Doors exposed to full TD areas must be weather-stripped on all sides and of solid construction.
- Ducts:** Air ducts located outside of conditioned space must have: 1) all joints properly fastened and sealed, and, 2) the duct shall have a minimum installed insulation R-value of 6.0. All joints in ductwork outside of the conditioned space must be permanently sealed with the application of duct sealant. Transverse joints, take-offs, transitions, supply/return connections to the air handler, boot connections to the floor/ceiling/wall, and framed-in and panned passages must be made airtight with duct sealant.
- Attic Vent:** Attic ventilation must be a minimum of one square foot of net free area for each 150 square feet attic floor area.
- Water Heaters:** Electric water heaters must have insulation surrounding the tank with minimum total R value of 8 (R-8).
- Air Condition:** All air conditioners must have a SEER rating of 1.0 SEER higher than the rating shown in the Council of American Building Officials Model Energy Code or any federal or state mandated energy codes, whichever is higher.
- Other:** Chimney flues and fireplaces must have tight fitting dampers.

*Insulation thermal resistance values are shown for insulation only, framing corrections will not be considered.

The "as installed" thermal resistance (R) value for all loose fill or blowing type insulation materials must be verifiable either by installed density using multiple weighted samples, the manufacturer's certification methods, Federal Trade Commission's procedures or other methods specified by local governing agencies.

Effective Upon Approval of The Public
Service Commission of South Carolina

RATE 6

RESIDENTIAL SERVICE
ENERGY SAVER / CONSERVATION RATE
(Page 2 of 2)

CHARACTER OF SERVICE

Alternating Current, 60 hertz, single phase, 120 volts, 2 wire or 120/240 volts 3 wire.

RATE PER MONTH

| | <u>Summer</u> (Billing Month June-September) | <u>Winter</u> (Billing Month October-May) |
|---------------------------------|--|---|
| <u>Basic Facilities Charge:</u> | \$ 9.50 | \$ 9.50 |
| <u>Plus Energy Charge:</u> | | |
| First 800 kWh @ | \$ 0.12301 per kWh | \$ 0.12301 per kWh |
| Excess over 800 kWh @ | \$ 0.13544 per kWh | \$ 0.11802 per kWh |

MINIMUM CHARGE

The monthly minimum charge shall be the basic facilities charge as stated above.

ADJUSTMENT FOR FUEL AND VARIABLE ENVIRONMENTAL COSTS

Fuel costs of \$.03371 per kWh are included in the energy charge and are subject to adjustment by order of the Public Service Commission of South Carolina.

DEMAND SIDE MANAGEMENT COMPONENT

The energy charges above include a DSM component of \$.00086 per kWh for Demand Side Management expenses.

PENSION COSTS COMPONENT

The energy charges above include a Pension Costs component of \$.00051 per kWh as approved by the Public Service Commission of South Carolina.

STORM DAMAGE COMPONENT

Inclusion of a storm damage component has been indefinitely suspended until further order of the Public Service Commission of South Carolina.

SALES AND FRANCHISE TAX

To the above will be added any applicable sales tax, franchise fee or business license tax which may be assessed by any state or local governmental body.

PAYMENT TERMS

All bills are net and payable when rendered.

SPECIAL PROVISIONS

The Company will furnish service in accordance with its standard specifications. Non-standard service will be furnished only when the customer pays the difference in costs between non-standard service and standard service or pays to the Company its normal monthly facility charge based on such difference in costs.

TERM OF CONTRACT

Contracts shall be written for a period of not less than one (1) year. A separate contract shall be written for each meter at each location.

GENERAL TERMS AND CONDITIONS

The Company's General Terms and Conditions are incorporated by reference and are a part of this rate schedule.

RATE 7

RESIDENTIAL SERVICE
TIME-OF-USE DEMAND
(Page 1 of 2)

AVAILABILITY

This rate is available on a voluntary basis to customers using the Company's standard service which is specified as a single point of delivery per premises from an existing overhead distribution system to individually metered private residences and individually metered dwelling units in apartments structures or other multi-family residential structures. It is not available for resale service nor shall service be supplied to dwelling units having a total or more than ten rooms, five or more of which are rented or offered for rent to any person or persons not a member, or members, of the immediate family of the owner or lessor of the dwelling units.

A dwelling unit is defined as a room or group of rooms having, in addition to living quarters, kitchen facilities for the sole use of the family or individual occupying such dwelling unit.

CHARACTER OF SERVICE

Alternating Current, 60 hertz, single phase, 120 volts, 2 wire or 120/240 volts 3 wire.

RATE PER MONTH

| | | |
|------------------------------------|----|-----------------|
| I. Basic Facilities Charge: | \$ | 13.50 |
| II. Demand Charge: | | |
| A. On-Peak Billing Demand | | |
| Summer Months of June-September @ | \$ | 10.99 per KW |
| Non-Summer Months of October-May @ | \$ | 7.93 per KW |
| III. Energy Charge: | | |
| All on-peak kWh @ | \$ | 0.09248 per kWh |
| All off-peak kWh @ | \$ | 0.07798 per kWh |

MINIMUM CHARGE

The monthly minimum charge shall be the basic facilities charge as stated above.

BILLING DEMAND

The maximum integrated fifteen minute demand for the current month occurring during the on-peak hours specified below. The maximum integrated fifteen minute demand for any period may be recorded on a rolling time interval.

DETERMINATION OF ON-PEAK HOURS

A. On-Peak Hours:

Summer Months of June-September:

The on-peak summer hours are defined as the hours between 2:00 p.m.-7:00 p.m., Monday-Friday, excluding holidays.*

Non-Summer Months of October-May:

The on-peak winter hours are defined as the hours between 7:00 a.m.-12:00 noon, Monday-Friday, excluding holidays.*

B. Off-Peak Hours:

The off-peak hours in any month are defined as all hours not specified as on-peak hours.

*Holidays are: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

ADJUSTMENT FOR FUEL AND VARIABLE ENVIRONMENTAL COSTS

Fuel costs of \$.03371 per kWh are included in the energy charge and are subject to adjustment by order of the Public Service Commission of South Carolina.

DEMAND SIDE MANAGEMENT COMPONENT

The energy charges above include a DSM component of \$.00086 per kWh for Demand Side Management expenses.

PENSION COSTS COMPONENT

The energy charges above include a Pension Costs component of \$.00051 per kWh as approved by the Public Service Commission of South Carolina.

STORM DAMAGE COMPONENT

Inclusion of a storm damage component has been indefinitely suspended until further order of the Public Service Commission of South Carolina.

SALES AND FRANCHISE TAX

To the above will be added any applicable sales tax, franchise fee or business license tax which may be assessed by any state or local governmental body.

PAYMENT TERMS

All bills are net and payable when rendered.

Effective Upon Approval of The Public
Service Commission of South Carolina

RATE 7

RESIDENTIAL SERVICE
TIME-OF-USE DEMAND
(Page 2 of 2)**SPECIAL PROVISIONS**

The Company will furnish service in accordance with its standard specifications. Non-standard service will be furnished only when the customer pays the difference in costs between non-standard service and standard service or pays to the Company its normal monthly facility charge based on such difference in costs.

The Company shall have the right to install and operate special metering equipment to measure customer's loads or any part thereof and to obtain any other data necessary to determine the customer's load characteristics.

The Company's levelized payment plans are not available to customers served under this rate schedule.

TERM OF CONTRACT

Contracts shall be written for a period of not less than one (1) year. A separate contract shall be written for each meter at each location.

GENERAL TERMS AND CONDITIONS

The Company's General Terms and Conditions are incorporated by reference and are a part of this rate schedule.

RATE 8**RESIDENTIAL SERVICE****AVAILABILITY**

This rate is available to customers using the Company's standard service which is specified as a single point of delivery per premises from an existing overhead distribution system to individually metered private residences and individually metered dwelling units in apartment structures or other multi-family residential structures. It is not available for resale service nor shall service be supplied to dwelling units having a total of more than ten rooms, five or more of which are rented or offered for rent to any person or persons not a member, or members, of the immediate family of the owner or lessor of the dwelling units.

A dwelling unit is defined as a room or group of rooms having, in addition to living quarters, kitchen facilities for the sole use of the family or individual occupying such dwelling unit.

CHARACTER OF SERVICE

Alternating Current, 60 hertz, single phase, 120 volts, 2 wire or 120/240 volts 3 wire.

RATE PER MONTH

| | Summer (Billing Month June-September) | Winter (Billing Month October-May) |
|---------------------------------|--|---|
| Basic Facilities Charge: | \$ 9.50 | \$ 9.50 |
| Plus Energy Charge: | | |
| First 800 kWh @ | \$ 0.12798 per kWh | \$ 0.12798 per kWh |
| Excess over kWh @ | \$ 0.14091 per kWh | \$ 0.12280 per kWh |

MINIMUM CHARGE

The monthly minimum charge shall be the basic facilities charge as stated above.

ADJUSTMENT FOR FUEL AND VARIABLE ENVIRONMENTAL COSTS

Fuel costs of \$.03371 per kWh are included in the energy charge and are subject to adjustment by order of the Public Service Commission of South Carolina.

DEMAND SIDE MANAGEMENT COMPONENT

The energy charges above include a DSM component of \$.00086 per kWh for Demand Side Management expenses.

PENSION COSTS COMPONENT

The energy charges above include a Pension Costs component of \$.00051 per kWh as approved by the Public Service Commission of South Carolina.

STORM DAMAGE COMPONENT

Inclusion of a storm damage component has been indefinitely suspended until further order of the Public Service Commission of South Carolina.

SALES AND FRANCHISE TAX

To the above will be added any applicable sales tax, franchise fee or business license tax which may be assessed by any state or local governmental body.

PAYMENT TERMS

All bills are net and payable when rendered.

SPECIAL PROVISIONS

The Company will furnish service in accordance with its standard specifications. Non-standard service will be furnished only when the customer pays the difference in costs between non-standard service or pays to the Company its normal monthly facility charge based on such difference in costs.

TERM OF CONTRACT

Contracts shall be written for a period of not less than one (1) year. A separate contract shall be written for each meter at each location.

GENERAL TERMS AND CONDITIONS

The Company's General Terms and Conditions are incorporated by reference and are a part of this rate schedule.

Effective Upon Approval of The Public
Service Commission of South Carolina

RATE 9

GENERAL SERVICE

(Page 1 of 2)

AVAILABILITY

This rate is available to customers using the Company's standard service which is specified as a single point of delivery per premises from an existing overhead distribution system for general light and/or power purposes such as commercial, industrial, religious, charitable and eleemosynary institutions. It is not available for resale service.

CHARACTER OF SERVICE

Alternating Current, 60 hertz. Voltage and phase at the option of the Company.

RATE PER MONTH

| | <u>Summer</u> (Billing Months June-September) | <u>Winter</u> (Billing Months October-May) |
|--|---|--|
| I. Basic Facilities Charge: | \$ 20.25 | \$ 20.25 |
| II. Demand Charge: | | |
| First 250 KVA of Billing Demand | No Charge | No Charge |
| Excess over 250 KVA of Billing Demand @ | \$ 3.58 per KVA | No Charge |
| The Billing Demand (to the nearest whole KVA) shall be the maximum integrated fifteen (15) minute demand measured during the billing months of June through September. | | |
| III. Energy Charge: | | |
| First 3,000 kWh @ | \$ 0.12426 per kWh | \$ 0.12426 per kWh |
| Over 3,000 kWh @ | \$ 0.13291 per kWh | \$ 0.11686 per kWh |

MINIMUM CHARGE

The monthly minimum charge shall be the basic facilities charge and demand charge as stated above, provided however, when construction costs exceed four (4) times the estimated annual revenue excluding fuel revenue to be derived by the Company, the customer may make a contribution in aid of construction of the excess cost or pay the Company's standard facility rate on the excess construction cost in addition to the rate charges above.

ADJUSTMENT FOR FUEL AND VARIABLE ENVIRONMENTAL COSTS

Fuel costs of \$.03365 per kWh are included in the energy charge and are subject to adjustment by order of the Public Service Commission of South Carolina.

DEMAND SIDE MANAGEMENT COMPONENT

The energy charges above include a DSM component of \$.00105 per kWh for Demand Side Management expenses.

PENSION COSTS COMPONENT

The energy charges above include a Pension Costs component of \$.00051 per kWh as approved by the Public Service Commission of South Carolina.

STORM DAMAGE COMPONENT

Inclusion of a storm damage component has been indefinitely suspended until further order of the Public Service Commission of South Carolina.

SALES AND FRANCHISE TAX

To the above will be added any applicable sales tax, franchise fee or business license tax which may be assessed by any state or local governmental body.

POWER FACTOR

If the power factor of the Customer's installation falls below 85%, the Company may adjust the billing to a basis of 85% power factor.

TEMPORARY SERVICE

Temporary service for construction and other purposes will be supplied under this rate in accordance with the Company's Terms and Conditions covering such service.

PAYMENT TERMS

All bills are net and payable when rendered.

Effective Upon Approval of The Public
Service Commission of South Carolina

RATE 9

GENERAL SERVICE
(Page 2 of 2)**SPECIAL PROVISIONS**

This rate is available for residential service where more than one dwelling unit is supplied through a single meter, provided service to such dwelling unit was established prior to July 1, 1980.

The Company will furnish service in accordance with its standard specifications. Non-standard service will be furnished only when the customer pays the difference in costs between non-standard service and standard service or pays to the Company its normal monthly facility charge based on such difference in costs.

UNMETERED SERVICE PROVISION

When customer's usage can be determined and in the sole opinion of the Company, installation of metering equipment is impractical or uneconomical, monthly kWh may be estimated by the Company and billed at the above rate per month, except that the basic facilities charge shall be \$7.50.

TERM OF CONTRACT

Contracts for installation of a permanent nature shall be written for a period of not less than one (1) year. A separate contract shall be written for each meter at each location.

GENERAL TERMS AND CONDITIONS

The Company's General Terms and Conditions are incorporated by reference and are a part of this rate schedule.

Effective Upon Approval of The Public
Service Commission of South Carolina

RATE 10**SMALL CONSTRUCTION SERVICE****AVAILABILITY**

This rate is available as a temporary service for builders using the Company's standard service which is specified as a single point of delivery per premises from an existing overhead distribution system for general lighting and/or power purposes during construction. It is not available for resale or standby service.

CHARACTER OF SERVICE

Alternating Current, 60 hertz, single phase, two or three wire at Company's standard secondary service voltages of 240 volts or less.

RATE PER MONTH

Basic Facilities Charge: \$ 9.50

Plus Energy Charge:
All kWh @ \$ 0.12732 per kWh

MINIMUM CHARGE

The monthly minimum charge shall be the basic facilities charge as stated above.

ADJUSTMENT FOR FUEL AND VARIABLE ENVIRONMENTAL COSTS

Fuel costs of \$.03365 per kWh are included in the energy charge and are subject to adjustment by order of the Public Service Commission of South Carolina.

DEMAND SIDE MANAGEMENT COMPONENT

The energy charges above include a DSM component of \$.00105 per kWh for Demand Side Management expenses.

PENSION COSTS COMPONENT

The energy charges above include a Pension Costs component of \$.00051 per kWh as approved by the Public Service Commission of South Carolina.

STORM DAMAGE COMPONENT

Inclusion of a storm damage component has been indefinitely suspended until further order of the Public Service Commission of South Carolina.

SALES AND FRANCHISE TAX

To the above will be added any applicable sales tax, franchise fee or business license tax which may be assessed by any state or local governmental body.

PAYMENT TERMS

All bills are net and payable when rendered.

SPECIAL PROVISIONS

If providing temporary service requires the Company to install transformers and other facilities which must be removed when temporary service is no longer required, then the customer may be required to pay the cost of installing and removing the Company's temporary facilities.

TERM OF CONTRACT

Contracts shall be written for a period of time commencing with establishment of service and ending when construction is suitable for occupancy or one year, which is less. A separate contract shall be written for each meter at each location.

GENERAL TERMS AND CONDITIONS

The Company's General Terms and Conditions are incorporated by reference and are a part of this rate schedule.

Effective Upon Approval of The Public
Service Commission of South Carolina

RATE 11

IRRIGATION SERVICE

(Page 1 of 2)

AVAILABILITY

This rate is available to customers using the Company's standard service which is specified as a single point of delivery per premises from an existing overhead distribution system. It is not available for resale. This schedule is available for service furnished for the operation of electric motor driven pumps and equipment supplying water for the irrigation of farmlands and plant nurseries, and irrigation to provide adequate moisture for vegetative cover to control erosion and provide runoff. The pumping units served hereunder shall be used solely for the purpose of irrigation.

All motors of more than 5 H.P. shall be approved by the Company. The Company reserves the right to deny service to any motor which will be detrimental to the service of other customers. Upon request, customer may pay all cost associated with upgrading the system to the point at which starting the customer's motor will not degrade the service to the other customers.

CHARACTER OF SERVICE

Alternating Current, 60 hertz. Voltage and phase at the option of the Company.

RATE PER MONTH

I. Summer Months of June-September

| | |
|-----------------------------|--------------------|
| A. Basic Facilities Charge: | \$ 23.90 |
| B. Energy Charge: | |
| All on-peak kWh @ | \$ 0.23479 per kWh |
| All shoulder kWh @ | \$ 0.14007 per kWh |
| All off-peak kWh @ | \$ 0.07887 per kWh |

II. Winter Months of October-May

| | |
|-----------------------------|--------------------|
| A. Basic Facilities Charge: | \$ 23.90 |
| B. Energy Charge: | |
| All kWh @ | \$ 0.07887 per kWh |

MINIMUM CHARGE

The monthly minimum charge shall be the basic facilities charge as stated above, except when the revenue produced by the customer does not sufficiently support the investment required to serve the load. The Company will determine in each case the amount and form of payment required to correct the revenue deficiency.

DETERMINATION OF ON-PEAK SHOULDER, AND OFF-PEAK HOURS

A. On-Peak Hours:

Summer Months of June-September:

The on-peak summer hours are defined as the hours between 2:00 p.m.-6:00 p.m., Monday-Friday, excluding holidays.*

B. Shoulder Hours:

Summer Months of June-September:

The shoulder summer hours are defined as the hours between 10:00 a.m.-2:00 p.m. and 6:00 p.m.-10:00 p.m., Monday-Friday, excluding holidays.*

C. Off-Peak Hours:

The off-peak hours in any month are defined as all hours not specified as on-peak or shoulder hours.

*Holidays are Independence Day and Labor Day.

ADJUSTMENT FOR FUEL AND VARIABLE ENVIRONMENTAL COSTS

Fuel costs of \$.03365 per kWh are included in the energy charge and are subject to adjustment by order of the Public Service Commission of South Carolina.

DEMAND SIDE MANAGEMENT COMPONENT

The energy charges above include a DSM component of \$.00105 per kWh for Demand Side Management expenses.

PENSION COSTS COMPONENT

The energy charges above include a Pension Costs component of \$.00051 per kWh as approved by the Public Service Commission of South Carolina.

STORM DAMAGE COMPONENT

Inclusion of a storm damage component has been indefinitely suspended until further order of the Public Service Commission of South Carolina.

SALES AND FRANCHISE TAX

To the above will be added any applicable sales tax, franchise fee or business license tax which may be assessed by any state or local governmental body.

Effective Upon Approval of The Public
Service Commission of South Carolina

RATE 11

IRRIGATION SERVICE
(Page 2 of 2)**PAYMENT TERMS**

All bills are net and payable when rendered.

SPECIAL PROVISIONS

The Company will furnish service in accordance with its standard specifications. Non-standard service will be furnished only when the customer pays the difference in costs between non-standard service and standard service or pays to the Company its normal monthly facility charge based on such difference in costs.

The Company shall have the right to install and operate special metering equipment to measure customer's loads or any part thereof and obtain any other data necessary to determine the customer's load characteristics.

TERM OF CONTRACT

Contracts for installations shall be written for a period of not less than ten (10) years. A separate contract shall be written for each meter at each location.

GENERAL TERMS AND CONDITIONS

The Company's General Terms and Conditions are incorporated by reference and are a part of this rate schedule.

RATE 12**CHURCH SERVICE****AVAILABILITY**

This rate is available to customers using the Company's standard service which is specified as a single point of delivery per premises from an existing overhead distribution system for general light and/or power service to churches. It is not available for resale or standby service. It is only available to recognized churches.

CHARACTER OF SERVICE

Alternating Current, 60 hertz. Voltage and phase at the option of the Company.

RATE PER MONTH

Basic Facilities Charge: \$ 14.55

Plus Energy Charge:
All kWh @ \$ 0.10755 per kWh

MINIMUM CHARGE

The monthly minimum charge shall be the basic facilities charge as stated above, provided however, when construction costs exceed four (4) times the estimated annual revenue excluding fuel revenue to be derived by the Company, the customer may make a contribution in aid of construction of the excess cost or pay the Company's standard facility rate on the excess construction cost in addition to the rate charges above.

ADJUSTMENT FOR FUEL AND VARIABLE ENVIRONMENTAL COSTS

Fuel costs of \$.03365 per kWh are included in the energy charge and are subject to adjustment by order of the Public Service Commission of South Carolina.

DEMAND SIDE MANAGEMENT COMPONENT

The energy charges above include a DSM component of \$.00105 per kWh for Demand Side Management expenses.

PENSION COSTS COMPONENT

The energy charges above include a Pension Costs component of \$.00051 per kWh as approved by the Public Service Commission of South Carolina.

STORM DAMAGE COMPONENT

Inclusion of a storm damage component has been indefinitely suspended until further order of the Public Service Commission of South Carolina.

SALES AND FRANCHISE TAX

To the above will be added any applicable sales tax, franchise fee or business license tax which may be assessed by any state or local governmental body.

PAYMENT TERMS

All bills are net and payable when rendered.

SPECIAL PROVISIONS

The Company will furnish service in accordance with its standard specifications. Under no conditions will the Company allow the service to be resold to or shared with others. Non-standard service will be furnished only when the customer pays the difference in costs between non-standard service and standard service or pays to the Company its normal monthly facility charge based on such difference in costs.

When a church offers activities that, in the sole opinion of the Company, are of a commercial nature such as day care, camps or recreational activities, the Company may require that the account be served under the appropriate general service rate.

TERM OF CONTRACT

Contracts shall be written for a period of not less than five (5) years. A separate contract shall be written for each meter at each location.

GENERAL TERMS AND CONDITIONS

The Company's General Terms and Conditions are incorporated by reference and are a part of this rate schedule.

Effective Upon Approval of The Public
Service Commission of South Carolina

RATE 13

MUNICIPAL
LIGHTING SERVICE

AVAILABILITY

This rate is available to municipal customers using the Company's standard service which is specified as a single point of delivery per premises from an existing overhead distribution system. This includes all municipally owned and operated facilities for lighting streets, highways, parks and other public areas, or other signal system service. It is not available for resale or standby service.

CHARACTER OF SERVICE

Alternating Current, 60 hertz. Voltage and phase at the option of the Company.

RATE PER MONTH

Basic Facilities Charge: \$ 20.25

Plus Energy Charge:

All kWh @ \$ 0.10024 per kWh

MINIMUM CHARGE

The monthly minimum charge shall be the basic facilities charge as stated above, provided however, when construction costs exceed four (4) times the estimated annual revenue excluding fuel revenue to be derived by the Company, the customer may make a contribution in aid of construction of the excess cost or pay the Company's standard facility rate on the excess construction cost in addition to the rate charges above.

ADJUSTMENT FOR FUEL AND VARIABLE ENVIRONMENTAL COSTS

Fuel costs of \$.03365 per kWh are included in the energy charge and are subject to adjustment by order of the Public Service Commission of South Carolina.

DEMAND SIDE MANAGEMENT COMPONENT

The energy charges above include a DSM component of \$.00105 per kWh for Demand Side Management expenses.

PENSION COSTS COMPONENT

The energy charges above include a Pension Costs component of \$.00051 per kWh as approved by the Public Service Commission of South Carolina.

STORM DAMAGE COMPONENT

Inclusion of a storm damage component has been indefinitely suspended until further order of the Public Service Commission of South Carolina.

SALES AND FRANCHISE TAX

To the above will be added any applicable sales tax, franchise fee or business license tax which may be assessed by any state or governmental body.

PAYMENT TERMS

All bills are net and payable when rendered.

SPECIAL PROVISIONS

Service shall not be supplied under this rate for establishments of a commercial nature, nor to operations primarily non-municipal. Under no circumstances will the Company allow the service to be resold or shared with others.

The Company will furnish service in accordance with its standard specifications. Non-standard service will be furnished only when the customer pays the difference in costs between non-standard service and standard service or pays to the Company its normal monthly facility charge based on such difference in costs.

TERM OF CONTRACT

Contracts shall be written for a period of not less than ten (10) years.

GENERAL TERMS AND CONDITIONS

The Company's General Terms and Conditions are incorporated by reference and are a part of this rate schedule.

Effective Upon Approval of The Public
Service Commission of South Carolina

RATE 14

FARM SERVICE

AVAILABILITY

This rate is available to customers using the Company's standard service which is specified as a single point of delivery per premises from an existing overhead distribution system on farms for producing but not processing agricultural, dairy, poultry and meat products.

Service shall not be supplied under this rate for establishments of a commercial nature such as stores, shops, stands, restaurants, service stations or any non-farm operations; nor for processing, distributing or selling farm or other products not originating through production on the premises served. Motors rated in excess of 20 H.P. will not be served on this rate. It is available for farm commercial operations including irrigation, grain elevators and crop drying for farm products produced on the premises served. It is not available for resale service.

CHARACTER OF SERVICE

Alternating Current, 60 hertz. Voltage and phase at the option of the Company.

RATE PER MONTH

| | <u>Summer</u> (Billing Months June-September) | <u>Winter</u> (Billing Months October-May) |
|---------------------------------|---|--|
| Basic Facilities Charge: | \$ 9.50 | \$ 9.50 |
| Plus Energy Charge: | | |
| First 800 kWh @ | \$ 0.12732 per kWh | \$ 0.12732 per kWh |
| Excess over 800 kWh @ | \$ 0.14025 per kWh | \$ 0.12214 per kWh |

MINIMUM CHARGE

The monthly minimum charge shall be the basic facilities charge as stated above, provided however, when construction costs exceed four (4) times the estimated annual revenue excluding fuel revenue to be derived by the Company, the customer may make a contribution in aid of construction of the excess cost or pay the Company's standard facility rate on the excess construction cost in addition to the rate charges above.

ADJUSTMENT FOR FUEL AND VARIABLE ENVIRONMENTAL COSTS

Fuel costs of \$.03365 per kWh are included in the energy charge and are subject to adjustment by order of the Public Service Commission of South Carolina.

DEMAND SIDE MANAGEMENT COMPONENT

The energy charges above include a DSM component of \$.00105 per kWh for Demand Side Management expenses.

PENSION COSTS COMPONENT

The energy charges above include a Pension Costs component of \$.00051 per kWh as approved by the Public Service Commission of South Carolina.

STORM DAMAGE COMPONENT

Inclusion of a storm damage component has been indefinitely suspended until further order of the Public Service Commission of South Carolina.

SALES AND FRANCHISE TAX

To the above will be added any applicable sales tax, franchise fee or business license tax which may be assessed by any state and governmental body.

PAYMENT TERMS

All bills are net and payable when rendered.

SPECIAL PROVISIONS

The Company will furnish service in accordance with its standard specifications. Non-standard service will be furnished only when the customer pays the difference in costs between non-standard service and standard service or pays to the Company its normal monthly facility charge based on such difference in costs.

TERM OF CONTRACT

The contract terms will depend on the conditions of service. No contract shall be written for a period of not less than five (5) years. A separate contract shall be written for each meter at each location.

GENERAL TERMS AND CONDITIONS

The Company's General Terms and Conditions are incorporated by reference and are a part of this rate schedule.

Effective Upon Approval of The Public
Service Commission of South Carolina

Order Exhibit No. 2

Docket No. 2012-218-E

Order No. 2012-951

December 20, 2012

Page 18 of 54

RATE 15

SUPPLEMENTARY AND STANDBY SERVICE

(Page 1 of 2)

AVAILABILITY

Available to Small Power Producers and co-generators that are a Qualifying Facility as defined by the Federal Energy Regulatory Commission (FERC) Order No. 70 under Docket No. RM 79-54. This schedule is not available to Qualifying Facilities with a power production capacity greater than 100 KW.

SUPPLEMENTARY SERVICE

Supplementary service is defined herein as power supplied by the Company to a Qualifying Facility in addition to that which the Qualifying Facility generates itself. Supplementary service will be provided by the Company under a retail electric service schedule which the customer will establish in conjunction with the implementation of this Supplementary and Standby Service rate.

SUPPLEMENTARY SERVICE

- 1) Standby service under this schedule is defined herein as power supplied by the Company to a Qualifying Facility to replace energy ordinarily generated by a Qualifying Facility during a scheduled or unscheduled outage.
- 2) Standby service is available to customers establishing a firm demand which is billed under a retail electric service schedule of the Company. If no firm demand is established by the customer for the purpose of taking Supplementary power, then Standby service will be provided as Supplementary service and billed on the applicable retail electric service schedule.
- 3) Standby service is defined for each 15-minute interval as the minimum of: (1) the Standby contracted demand, and, (2) the difference between the measured load and the contracted firm demand, except that such difference shall not be less than zero.
- 4) Supplementary Service is defined as all power supplied by the Company not defined herein as Standby Service.
- 5) The Standby contract demand shall be limited to the power production capacity of the Qualifying Facility.

STANDBY SERVICE POWER RATE PER MONTH

| | |
|---|--------------------|
| Basic Facilities Charge | \$ 200.00 |
| Demand Charge per KW of Contract Demand | \$ 5.38 |
| Energy Charge: | |
| On-Peak kWh @ | \$ 0.06742 per kWh |
| Off-Peak kWh @ | \$ 0.04953 per kWh |

DETERMINATION OF ON-PEAK AND OFF-PEAK HOURS

- A. On-Peak Hours:
On-peak hours are defined to be 10:00 a.m. - 10:00 p.m. for the months of June-September, excluding weekends.
- B. Off-Peak Hours:
All hours not defined as on-peak hours are considered to be off-peak.

POWER FACTOR

The customer must maintain a power factor of as near unity as practicable. If the power factor of the customer's installation falls below 85%, the Company shall adjust the billing demand to a basis of 85% power factor.

LIMITING PROVISION

The Standby Service power rate will be available for 1325 annual hours of consumption beginning in May and ending in April, or for a prorated share thereof for customers who begin to receive service in months other than May. Accounts on this rate are subject to the following condition: Standby service will be available for a maximum of 120 On-Peak Hours.

If this account exceeds: (1) 1325 hours of Standby service annually, or (2) 120 on-peak hours of Standby service, the account will be billed on the rate normally applied to customer's Supplementary service load for the current billing month and the subsequent eleven months.

ADJUSTMENT FOR FUEL AND VARIABLE ENVIRONMENTAL COSTS

Fuel costs of \$.03347 per kWh are included in the energy charge and are subject to adjustment by order of the Public Service Commission of South Carolina.

DEMAND SIDE MANAGEMENT COMPONENT

The energy charges above include a DSM component of \$.00075 per kWh for Demand Side Management expenses.

Effective Upon Approval of The Public
Service Commission of South Carolina

RATE 15

SUPPLEMENTARY AND STANDBY SERVICE
(Page 2 of 2)**PENSION COSTS COMPONENT**

The energy charges above include a Pension Costs component of \$.00051 per kWh as approved by the Public Service Commission of South Carolina.

STORM DAMAGE COMPONENT

Inclusion of a storm damage component has been indefinitely suspended until further order of the Public Service Commission of South Carolina.

SALES AND FRANCHISE TAX

To the above will be added any applicable sales tax, franchise fee or business license tax which may be assessed by any state or local governmental body.

PAYMENT TERMS

All bills are net and payable when rendered.

SPECIAL PROVISIONS

The customer is responsible for all costs associated with interconnection to the Company's system for the purpose of obtaining Supplementary or Standby power.

TERM OF CONTRACT

Contracts shall be written for a period of not less than three (3) years.

GENERAL TERMS AND CONDITIONS

The Company's General Terms and Conditions are incorporated by reference and a part of this rate schedule.

RATE 16

GENERAL SERVICE
TIME-OF-USE
(Page 1 of 2)

AVAILABILITY

This rate is available to any non-residential customer using the Company's standard service which is specified as a single point of delivery per premises from an existing overhead distribution system for power and light requirements and having an on-peak demand of less than 1,000 KW. The second billing month within a twelve billing month period that on-peak demand exceeds 1,000 KW will terminate eligibility under this rate schedule. It is not available for resale service.

CHARACTER OF SERVICE

Alternating Current, 60 hertz. Voltage and phase at the option of the Company.

RATE PER MONTH

| | | |
|------------------------------------|------------|----------|
| I. Basic Facilities Charge: | | \$ 23.90 |
| II. Energy Charge: | | |
| A. On-Peak kWh | | |
| 1. Months of June-September | \$ 0.23479 | per kWh |
| 2. Months of October-May | \$ 0.17807 | per kWh |
| B. Off-Peak kWh | | |
| First 1,000 off-peak kWh @ | \$ 0.09302 | per kWh |
| Excess over 1,000 off-peak kWh @ | \$ 0.09779 | per kWh |

DETERMINATION OF ON-PEAK HOURS

A. On-Peak Hours:

June-September:

The on-peak summer hours are defined as the hours between 1:00 p.m.-9:00 p.m., Monday-Friday, excluding holidays.*

October-May:

The on-peak non-summer hours are defined as those hours between 6:00 a.m.-10:00 a.m. and 6:00 p.m.-10:00 p.m.

Monday-Friday, excluding holidays.*

B. Off-Peak Hours:

The off-peak hours in any month are defined as all hours not specified as on-peak hours.

*Holidays are: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

MINIMUM CHARGE

The monthly minimum charge shall be the basic facilities charge as stated above, provided however, when construction costs exceed four (4) times the estimated annual revenue excluding fuel revenue to be derived by the Company, the customer may make a contribution in aid of construction cost in addition to the rate charges above.

ADJUSTMENT FOR FUEL AND VARIABLE ENVIRONMENTAL COSTS

Fuel costs of \$.03365 per kWh are included in the energy charge and are subject to adjustment by order of the Public Service Commission of South Carolina.

DEMAND SIDE MANAGEMENT COMPONENT

The energy charges above include a DSM component of \$.00105 per kWh for Demand Side Management expenses.

PENSION COSTS COMPONENT

The energy charges above include a Pension Costs component of \$.00051 per kWh as approved by the Public Service Commission of South Carolina.

STORM DAMAGE COMPONENT

Inclusion of a storm damage component has been indefinitely suspended until further order of the Public Service Commission of South Carolina.

RATE 16

GENERAL SERVICE
TIME-OF-USE
(Page 2 of 2)

EXPERIMENTAL UNIFORM LOAD PROVISION

For applications where the customer has an expectation of their equipment operating at a constant level, or 100% Load Factor (same usage level for every hour of a billing period), the Company may use a standard meter, without time-of-use capability, to record monthly energy usage. In such instances, the customer will be required to submit to the Company engineering specifications, meter history results, or other pertinent data that would demonstrate the expectation of a constant, or uniform load. The Company will make the final determination as to whether an account qualifies for service under this provision.

The Rate Per Month would be the Rate 16 Basic Facilities Charge plus the product of the customer's actual metered energy times the kWh Energy Charge as determined in the table below:

| Tier | Average Energy Usage per Month | Energy Charge |
|------|--------------------------------|--------------------|
| A | 0 - 999 kWh | \$ 0.11713 per kWh |
| B | 1,000 - 1,999 kWh | \$ 0.11716 per kWh |
| C | 2,000 - 3,000 kWh | \$ 0.11844 per kWh |

For purposes of determining the appropriate Tier for each specific account, Average Energy Usage per Month will be determined by taking a simple average of the last 12 months of historical energy consumption. For new accounts, a Company calculation will be performed based upon the customer technical data requirements mentioned earlier. The Company may also take into account any other such data as deemed appropriate for Tier assignment. When an account has been assigned to a Tier, it shall be billed under the associated Energy Charge each month until an equipment change noted by the customer or Company test result that may nullify eligibility as specified below. Tier assignments will not change on a month to month basis. Accounts averaging more than 3,000 kWh per month will not be eligible for service under this Provision and will be metered under the standard Time-of-Use provisions of Rate 16. The Company will make the final determination as to the appropriate Tier assignment for all accounts.

The customer shall notify the Company in writing if the customer's equipment or method of operation change such that a 100% Load Factor is no longer expected. The Company will conduct an annual review of all Uniform Load Provision accounts, and reserves the right to periodically verify load patterns and characteristics through testing for any and all accounts covered by this Provision. This would generally be accomplished by the installation of demand or other Time-of-Use capable meters. If any account is found to have a load pattern producing less than 100% Load Factor or an average usage above 3,000 kWh per month, it will no longer be billed under the Uniform Load Provision. The Company will install a traditional Rate 16 type meter and bill the customer under the standard Time-of-Use provisions noted in the Rate Per Month section above.

The tiered charges under this Uniform Load Provision will be adjusted for any and all retail electric rate actions approved by the Public Service Commission of South Carolina including, but not limited to changes in the Adjustment for Fuel and Variable Environmental Costs, Rate Reduction and Tax Credit Rider, Rider related to Demand Side Management, and requests for Revised Rates under the Base Load Review Act.

SPECIAL PROVISIONS

The Company will furnish service in accordance with its standard specifications. Non-standard service will be furnished only when the customer pays the difference in costs between non-standard service and standard service or pays to the Company its normal monthly facility charge based on such difference in costs.

TERM OF CONTRACT

The contract terms will depend on the conditions of service. Contracts for installations of a permanent nature shall be written for a period of not less than one (1) year. A separate contract shall be written for each meter at each location.

GENERAL TERMS AND CONDITIONS

The Company's General Terms and Conditions are incorporated by reference and are a part of this rate schedule.

SOUTH CAROLINA ELECTRIC & GAS COMPANY

ELECTRICITY

RATE 17

MUNICIPAL
STREET LIGHTING
(Page 1 of 2)

AVAILABILITY

This rate is available to municipal customers using the Company's electric service for area and street lighting.

RATE

All night street lighting service where fixtures are mounted on Company's existing standard wooden poles which are a part of Company's overhead distribution system will be charged for at the following rates:

| SIZE AND DESCRIPTION | | | Lamp Charges per Month | kWh per Month |
|----------------------|--------------------------|--|---------------------------|------------------|
| 9,000 Lumens | (MH) (100W) Closed Type | | \$ 10.88 | 37 |
| 15,000 Lumens | (HPS) (150W) Open Type | | \$ 10.70 | 57 |
| 15,000 Lumens | (HPS) (150W) Closed Type | | \$ 10.95 | 62 |
| 30,000 Lumens | (MH) (320W) Closed Type | | \$ 18.63 | 123 |
| 50,000 Lumens | (HPS) (400W) Closed Type | | \$ 19.61 | 158 |

The following fixtures are available for new installations only to maintain pattern sensitive areas:

| | | | |
|---------------|---|----------|-----|
| 9,500 Lumens | (HPS) (100W) Open Type | \$ 9.59 | 38 |
| 9,500 Lumens | (HPS) (100W) Open Type (non-directional) - Retrofit | \$ 9.59 | 38 |
| 9,500 Lumens | (HPS) (100W) Closed Type | \$ 10.34 | 38 |
| 15,000 Lumens | (HPS) (150W) Open Type - Retrofit | \$ 10.73 | 63 |
| 15,000 Lumens | (HPS) (150W) Closed Type - Retrofit | \$ 10.99 | 63 |
| 27,500 Lumens | (HPS) (250W) Closed Type | \$ 16.79 | 102 |
| 45,000 Lumens | (HPS) (360W) Closed Type - Retrofit | \$ 18.79 | 144 |

All night street lighting service in areas being served from Company's underground distribution system:

The following fixtures which are available for new installations where excavation and back filling are provided for the Company and existing fixtures previously billed as residential subdivision street lighting will be charged for at the following rates:

| Post-Top Mounted Luminaries | | | Traditional Lamp Charges per Month | Modern Lamp Charges per Month | Classic Lamp Charges per Month | kWh per Month |
|-----------------------------|--------------|--|--|-------------------------------------|--------------------------------------|------------------|
| 9,000 Lumens | (MH) (100W) | | \$ 22.68 | \$ 22.68 | \$ 26.45 | 37 |
| 15,000 Lumens | (HPS) (150W) | | \$ 23.05 | \$ 23.05 | \$ 27.11 | 62 |

The following fixture is available for new installations only to maintain pattern sensitive areas:

| | | | | | | |
|---------------|--------------------------|----------|--|----------|----------|----|
| 9,500 Lumens | (HPS) (100W) Traditional | \$ 21.23 | | | | 37 |
| 15,000 Lumens | (HPS) (150W) - Retrofit | \$ 23.04 | | | \$ 27.10 | 63 |
| 15,000 Lumens | (HPS) (150W) - Retrofit | | | \$ 23.05 | | 62 |

Effective January 2009, selected existing light sets will no longer be available for new installations. Replacement light sets will only be available until inventory is depleted and will be replaced on a first-come, first-served basis. Affected lights are as follows:

| | | | |
|---------------|--|----------|-----|
| 4,000 Lumens | (Mercury) (100W) Open Type (non-directional) | \$ 8.65 | 37 |
| 7,500 Lumens | (Mercury) (175W - Traditional) | \$ 22.56 | 69 |
| 7,500 Lumens | (Mercury) (175W - Modern) | \$ 22.56 | 69 |
| 7,500 Lumens | (Mercury) (175W - Classic) | \$ 26.44 | 69 |
| 7,500 Lumens | (Mercury) (175W) Closed Type | \$ 10.95 | 69 |
| 7,500 Lumens | (Mercury) (175W) Open Type (non-directional) | \$ 9.74 | 69 |
| 10,000 Lumens | (Mercury) (250W) Closed Type | \$ 14.76 | 95 |
| 20,000 Lumens | (Mercury) (400W) Closed Type | \$ 18.69 | 159 |

MINIMUM CHARGE

When construction costs exceed four (4) times the estimated annual revenue excluding fuel revenue to be derived by the Company, the customer may make a contribution in aid of construction of the excess cost or pay the Company's standard facility rate on the excess construction cost in addition to the rate charges above.

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RATE 17

MUNICIPAL
STREET LIGHTING
(Page 2 of 2)**ADJUSTMENT FOR FUEL AND VARIABLE ENVIRONMENTAL COSTS**

Fuel costs of \$.03278 per kWh are included in the monthly lamp charge and are subject to adjustment by order of the Public Service Commission of South Carolina.

PENSION COSTS COMPONENT

The energy charges above include a Pension Costs component of \$.00051 per kWh as approved by the Public Service Commission of South Carolina.

STORM DAMAGE COMPONENT

Inclusion of a storm damage component has been indefinitely suspended until further order of the Public Service Commission of South Carolina.

SALES AND FRANCHISE TAX

To the above will be added any applicable sales tax, franchise fee or business license tax which may be assessed by any state or local governmental body.

PAYMENT TERMS

All bills are net and payable when rendered.

TERM OF CONTRACT

Contracts under this rate shall be written for a period of not less than ten (10) years; and such contract shall include a provision that the Municipality must purchase all of its electrical requirements from the Company. The Company reserves the right to remove its facilities when subject to vandalism or for other cogent reasons.

SPECIAL PROVISIONS

The Company will furnish, erect, operate and maintain all necessary equipment in accordance with its standard specifications. It is the customer's responsibility to notify the Company when equipment fails to operate properly. Non-standard service requiring underground, special fixtures and/or poles will be furnished only when the customer pays the difference in costs between such non-standard service and standard service or pays to the Company its normal monthly facility charge based on such difference in costs.

GENERAL TERMS AND CONDITIONS

The Company's General Terms and Conditions are incorporated by reference and are a part of this rate schedule.

Effective Upon Approval of The Public
Service Commission of South Carolina

RATE 18

UNDERGROUND
STREET LIGHTING

(Page 1 of 2)

AVAILABILITY

This rate is available to customers, including municipal customers, using the Company's electric service for street and area lighting served from existing underground distribution facilities.

APPLICABILITY

Applicable only to outdoor lighting high intensity discharge fixtures, either high pressure sodium (HPS), or metal halide (MH), and with poles conforming to Company specifications. Services will be rendered only at locations that, solely in the opinion of the Company, are readily accessible for maintenance. If the Company is required to install light fixtures on poles other than those described herein, the Company will determine in each case the amount and form of payment required.

RATE PER LUMINARIES

| SIZE AND DESCRIPTION | | | per Month | kWh per Month |
|----------------------|---------------|-------------------------------------|-----------|------------------|
| 9,000 Lumens | (MH) (100W) | (Acorn, Round, or Octagonal Style)* | \$ 17.09 | 41 |
| 15,000 Lumens | (HPS) (150W) | (Acorn, Round, or Octagonal Style)* | \$ 17.31 | 62 |
| 9,000 Lumens | (MH) (100W) | (Traditional) | \$ 12.88 | 37 |
| 15,000 Lumens | (HPS) (150W) | (Traditional) | \$ 13.25 | 62 |
| 9,000 Lumens | (MH) (100W) | (Shepherd) | \$ 25.36 | 41 |
| 15,000 Lumens | (HPS) (150W) | (Shepherd) | \$ 27.86 | 62 |
| 42,600 Lumens | (MH) (400W) | Hatbox | \$ 32.42 | 169 |
| 50,000 Lumens | (HPS) (400W) | Hatbox | \$ 31.22 | 168 |
| 110,000 Lumens | (MH) (1000W) | Hatbox | \$ 50.36 | 359 |
| 140,000 Lumens | (HPS) (1000W) | Hatbox | \$ 46.02 | 368 |
| 30,000 Lumens | (MH) (320W) | Shoebox Type | \$ 30.99 | 123 |
| 45,000 Lumens | (HPS) (400W) | Shoebox Type | \$ 23.37 | 158 |
| 30,000 Lumens | (MH) (320W) | Cobra Flex | \$ 30.99 | 120 |
| 50,000 Lumens | (HPS) (400W) | Cobra Flex | \$ 31.03 | 152 |

The following fixtures are available for new installations only to maintain pattern sensitive areas:

| | | | | |
|---------------|--------------|-----------|----------|----|
| 9,000 Lumens | (MH) (100W) | (Modern) | \$ 12.88 | 37 |
| 15,000 Lumens | (HPS) (150W) | (Modern) | \$ 13.25 | 62 |
| 9,000 Lumens | (MH) (100W) | (Classic) | \$ 16.66 | 37 |
| 15,000 Lumens | (HPS) (150W) | (Classic) | \$ 18.08 | 62 |

Effective January 2009, selected existing light sets will no longer be available for new installations. Replacement light sets will only be available until inventory is depleted and will be replaced on a first-come, first-served basis. Affected lights are as follows:

| | | | | |
|---------------|-------------|-------------------------------------|----------|-----|
| 7,500 Lumens | (MV) (175W) | (Acorn, Round, or Octagonal Style)* | \$ 16.65 | 69 |
| 7,500 Lumens | (MV) (175W) | (Traditional) | \$ 12.76 | 69 |
| 7,500 Lumens | (MV) (175W) | (Shepherd) | \$ 24.67 | 69 |
| 7,500 Lumens | (MV) (175W) | (Modern) | \$ 12.66 | 69 |
| 7,500 Lumens | (MV) (175W) | (Classic) | \$ 17.30 | 69 |
| 10,000 Lumens | (MV) (250W) | (Acorn, Round, or Octagonal Style)* | \$ 18.05 | 95 |
| 20,000 Lumens | (MV) (400W) | Shoebox Type | \$ 21.69 | 159 |
| 38,000 Lumens | (MH) (400W) | Hatbox | \$ 32.62 | 159 |
| 40,000 Lumens | (MH) (400W) | Shoebox Type | \$ 28.72 | 159 |

RATE PER POLE

| | |
|---|----------|
| 15' Aluminum Shepherd's Crook / Direct Buried (Mounted Height) | \$ 29.95 |
| 15' Aluminum Shepherd's Crook / Base Mounted (Mounted Height) | \$ 37.60 |
| 12' Smooth/Fluted Aluminum (Mounted Height) | \$ 23.20 |
| 14' Smooth/Fluted Aluminum (Mounted Height) | \$ 23.85 |
| 17' Standard Fiberglass (Mounted Height) | \$ 9.95 |
| 42' Square Aluminum/Direct Buried (35' Mounted Height) | \$ 26.80 |
| 42' Round Aluminum/Direct Buried (35' Mounted Height) | \$ 27.80 |
| 35' Round Aluminum/Base Mounted (Add Base To Determine Mounted Height) | \$ 32.70 |
| 35' Square Aluminum/Base Mounted (Add Base To Determine Mounted Height) | \$ 35.70 |

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RATE 18

UNDERGROUND
STREET LIGHTING
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RESIDENTIAL SUBDIVISION CUSTOMER CHARGE

*The lights described above may be installed in new or existing residential subdivisions at the ratio of one light for either every four (4) or six (6) metered residences. An administrative charge of \$2.70 will be added to each fixture billed under this provision. Each monthly bill rendered will include an amount for the installed lighting. Such amount will be determined by adding the appropriate charges above for the installed luminaires, pole, and administrative charge and dividing such charge by either four (4) or six (6). This provision is applicable only if no other lighting option is available for the residential subdivision. This provision is not available for lighting parking lots, shopping centers, other public or commercial areas nor the streets of an incorporated municipality.

REPLACEMENT OF EXISTING SYSTEMS

In the event that the customer desires to replace an existing lighting system owned and operated by the company, the customer shall be required to pay to the Company an amount equal to the provision for early contract termination listed below.

PROVISION FOR EARLY CONTRACT TERMINATION

In the event that the customer terminates the contract prior to the end of the contract term, the customer shall pay as the termination charge the appropriate charges above excluding fuel for the remainder of the contract term; plus the sum of original cost of the installed equipment, less accumulated depreciation through the effective termination date, plus removal and disposal costs, plus environmental remediation costs less any applicable salvage values, the total of which shall in no case be less than zero.

MINIMUM CHARGE

When construction costs exceed four (4) times the estimated annual revenue excluding fuel revenue to be derived by the Company, the customer may make a contribution in aid of construction of the excess cost or pay the Company's standard facility rate on the excess construction cost in addition to the rate charges above.

ADJUSTMENT FOR FUEL AND VARIABLE ENVIRONMENTAL COSTS

Fuel costs of \$.03278 per kWh are included in the monthly lamp charge and are subject to adjustment by order of the Public Service Commission of South Carolina.

PENSION COSTS COMPONENT

The energy charges above include a Pension Costs component of \$.00051 per kWh as approved by the Public Service Commission of South Carolina.

STORM DAMAGE COMPONENT

Inclusion of a storm damage component has been indefinitely suspended until further order of the Public Service Commission of South Carolina.

SALES AND FRANCHISE TAX

To the above will be added any applicable sales tax, franchise fee or business license tax which may be assessed by any state or local governmental body.

PAYMENT TERMS

All bills are net and payable when rendered.

TERM OF CONTRACT

Contracts under this rate shall be written for a period of not less than ten (10) years. The Company reserves the right to remove its facilities when subject to vandalism or for other cogent reasons.

SPECIAL PROVISIONS

The Company will furnish, erect, operate and maintain all necessary equipment in accordance with its standard specifications. Standard service for post top decorative lamps requiring underground wiring shall include one hundred twenty five feet of service conductor, all necessary trenching and back-filling in normal, unimproved soil. Non-standard equipment or installation in extraordinary conditions such as, but not limited to, landscaped areas, paved areas, or extremely rocky or wet soil will require the customer to pay the difference in cost between such non-standard equipment and/or extraordinary conditions and the standard service installed under normal conditions or pay to the Company its normal monthly facility charge based on such difference in costs.

GENERAL TERMS AND CONDITIONS

The Company's General Terms and Conditions are incorporated by reference and are a part of this rate schedule. Service hereunder is subject to Rules and Regulations for Electric Service of the Public Service Commission of South Carolina.

RATE 20

MEDIUM GENERAL SERVICE

AVAILABILITY

This rate is available to any non-residential customer using the Company's standard service for power and light requirements and having a contract demand of 75 KVA or over. It is not available for resale service.

CHARACTER OF SERVICE

Alternating Current, 60 hertz, three phase, metering at the delivery voltage which shall be standard to the Company's operation.

RATE PER MONTH

I. Basic Facilities Charge \$ 185.00

II. Demand Charge:

All KVA of Billing Demand @ \$ 17.54 per KVA

The billing demand (to the nearest whole KVA) shall be the greatest of: (1) the maximum integrated fifteen minute demand measured (which may be on a rolling time interval) during the current month; or (2) eighty percent (80%) of the highest demand occurring during the billing months June through September in the eleven preceding months; or (3) sixty percent (60%) of the highest demand occurring during the billing months of October through May in the eleven preceding months; or (4) the contract demand; or (5) 75 KVA.

III. Energy Charge:

First 75,000 kWh @ \$ 0.05546 per kWh

Excess over 75,000 kWh @ \$ 0.05169 per kWh

MINIMUM CHARGE

The monthly minimum charge is the demand as determined above. The Company may allow a buildup period not to exceed six months for new and expanding accounts during which time the contract demand and/or the minimum demand specified in the rate schedule may be waived. The Company shall not commit itself to a buildup period exceeding six months without prior approval of the Commission for the specific account involved.

ADJUSTMENT FOR FUEL AND VARIABLE ENVIRONMENTAL COSTS

Fuel costs of \$.03347 per kWh are included in the energy charge and are subject to adjustment by order of the Public Service Commission of South Carolina.

DEMAND SIDE MANAGEMENT COMPONENT

The energy charges above include a DSM component of \$.00075 per kWh for Demand Side Management expenses.

PENSION COSTS COMPONENT

The energy charges above include a Pension Costs component of \$.00051 per kWh as approved by the Public Service Commission of South Carolina.

STORM DAMAGE COMPONENT

Inclusion of a storm damage component has been indefinitely suspended until further order of the Public Service Commission of South Carolina.

SALES AND FRANCHISE TAX

To the above will be added any applicable sales tax, franchise fee or business license tax which may be assessed by any state or local governmental body.

PAYMENT TERMS

All bills are net and payable when rendered.

SPECIAL PROVISIONS

The Company will furnish service in accordance with its standard specifications. Non-standard service will be furnished only when the customer pays the difference in costs between non-standard service and standard service or pays to the Company its normal monthly facility charge based on such difference in costs.

TERM OF CONTRACT

The contract terms will depend on the conditions of service. No contract shall be written for a period of less than five (5) years. A separate contract shall be written for each meter.

GENERAL TERMS AND CONDITIONS

The Company's General Terms and Conditions are incorporated by reference and a part of this rate schedule.

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RIDER TO RATES 20 AND 23**SERVICE FOR COOL
THERMAL STORAGE****AVAILABILITY**

This rider is available to customers served under Rate Schedules 20 and 23 for thermal storage during billing months June through September. Service under this rider shall be available at customer's request and with Company Certification of customer's installed thermal storage system. The qualifying thermal storage unit must be capable of removing at least thirty percent (30%) of the customer's actual or expected load during the on-peak hours. The provisions of Rate Schedules 20 and 23 are modified only as shown herein.

DETERMINATION OF ON-PEAK AND OFF-PEAK HOURS**A. On-Peak Hours:**

The on-peak hours during June through September are defined as the hours between 1:00 p.m.-9:00 p.m., Monday-Friday, excluding holidays.*

B. Off-Peak Hours:

The off-peak hours in any month are defined as all hours not specified as on-peak hours.

*Holidays are: Independence Day and Labor Day.

BILLING DEMAND DETERMINATION**Billing Months June Through September**

The on-peak billing demand (to the nearest whole number) shall be the greatest of the following and shall be billed on the Applicable Rate Demand charge:

- (1) The maximum, integrated fifteen minute demand measured (which may be on a rolling time interval) during the hours of 1:00 p.m. to 9:00 p.m., Monday-Friday;
- (2) 90% of the demand registered during these hours for the previous June through September billing period, if service was supplied under this rider. If customer is receiving initial service under this rider, the ratchet during the June through September billing period will be waived.
- (3) The contract demand.
- (4) Applicable Rate Minimum.

Billing Months October Through May

The billing demand (to the nearest whole number) shall be the greatest of the following and shall be billed on the Applicable Rate Demand charge:

- (1) The maximum, integrated fifteen minute demand measured (which may be on a rolling time interval).
- (2) 60% of the highest demand occurring during the preceding October through May billing period.
- (3) The contract demand.
- (4) Applicable Rate Minimum.

EXCESS BILLING DEMAND**Billing Months June Through September**

The excess billing demand shall be the positive difference between the maximum integrated fifteen minute demand measured during off-peak hours minus the on-peak billing demand.

RATES PER MONTH

| | |
|---|-----------------|
| Excess Billing Demand Applicable to Rate 20 | \$ 4.31 per KVA |
| Excess Billing Demand Applicable to Rate 23 | \$ 4.31 per KW |

SALES AND FRANCHISE TAX

To the above will be added any applicable sales tax, franchise fee or business license tax which may be assessed by any state or local governmental body.

TERM OF CONTRACT

The contract terms will depend on the conditions of service. No contract shall be written for a period less than five (5) years. A separate contract shall be written for each meter at each location.

GENERAL TERMS AND CONDITIONS

The Company's General Terms and Conditions are incorporated by reference and a part of these riders.

Effective Upon Approval of The Public
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RATE 21**GENERAL SERVICE
TIME-OF-USE-DEMAND
(Page 1 of 2)****AVAILABILITY**

This rate is available to any customer using the Company's standard service for power and light requirements and having a contract demand of 50 KVA and a maximum demand of less than 1,000 KVA. It is not available for resale service.

CHARACTER OF SERVICE

Alternating current, 60 hertz, three phase, metering at the delivery voltage which shall be standard to the Company's operation.

RATE PER MONTH

| | |
|---------------------------------------|--------------------|
| I. Basic Facilities Charge: | \$ 200.00 |
| II. Demand Charge: | |
| A. On-Peak Billing Demand: | |
| 1. Summer Months of June-September @ | \$ 22.28 per KVA |
| 2. Non-Summer Months of October-May @ | \$ 14.83 per KVA |
| B. Off-Peak Billing Demand | |
| 1. All Off-Peak Billing Demand @ | \$ 4.18 per KVA |
| III. Energy Charge: | |
| A. On-Peak kWh | |
| 1. Summer Months of June-September @ | \$ 0.09742 per kWh |
| 2. Non-Summer Months of October-May @ | \$ 0.06742 per kWh |
| B. Off-Peak kWh | |
| 1. All Off-Peak @ | \$ 0.04953 per kWh |

BILLING DEMAND

The billing demands will be rounded to the nearest whole KVA. The maximum integrated fifteen minute demand for any period may be recorded on a rolling time interval.

For the summer months, the on-peak billing demand shall be the maximum integrated fifteen minute demand measured during the on-peak hours of the current month.

For the non-summer months, the on-peak billing demand will be the greater of: (1) the maximum integrated fifteen minute demand measured during the on-peak hours of the current month, or (2) eighty percent (80%) of the maximum integrated demand occurring during the on-peak hours of the preceding summer months.

The off-peak billing demand shall be the greatest of the following positive differences: (1) the maximum integrated fifteen minute demand measured during the off-peak hours minus the on-peak billing demand, (2) the contract demand minus the on-peak billing demand or (3) 50 KVA minus the on-peak billing demand.

DETERMINATION OF ON-PEAK AND OFF-PEAK HOURS**A. On-Peak Hours During Summer Months:**

June-September:

The on-peak summer hours are defined as the hours between 1:00 p.m.-9:00 p.m., Monday-Friday, excluding holidays.*

B. On-Peak Hours During Non-Summer Months:

May and October:

The on-peak non-summer hours are defined as the hours between 1:00 p.m.-9:00 p.m., Monday-Friday, excluding holidays.*

November-April:

The on-peak non-summer hours are defined as these hours between 6:00 a.m.-12:00 noon and 5:00 p.m.-9:00 p.m., Monday-Friday, excluding holidays.*

C. Off-Peak Hours:

The off-peak hours in any month are defined as all hours not specified as on-peak hours.

*Holidays are: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

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Service Commission of South Carolina

RATE 21

GENERAL SERVICE
TIME-OF-USE-DEMAND
(Page 2 of 2)

ADJUSTMENT FOR FUEL AND VARIABLE ENVIRONMENTAL COSTS

Fuel costs of \$.03347 per kWh are included in the energy charge and are subject to adjustment by order of the Public Service Commission of South Carolina.

DEMAND SIDE MANAGEMENT COMPONENT

The energy charges above include a DSM component of \$.00075 per kWh for Demand Side Management expenses.

PENSION COST COMPONENT

The energy charges above include a Pension Costs component of \$.00051 per kWh as approved by the Public Service Commission of South Carolina.

STORM DAMAGE COMPONENT

Inclusion of a storm damage component has been indefinitely suspended until further order of the Public Service Commission of South Carolina.

SALES AND FRANCHISE TAX

To the above will be added any applicable sales tax, franchise fee or business license tax which may be assessed by any state or local governmental body.

PAYMENT TERMS

All bills are net and payable when rendered.

SPECIAL PROVISIONS

The Company will furnish service in accordance with its standard specifications. Non-standard service will be furnished only when the customer pays the difference in costs between non-standard service and standard service or pays to the Company its normal monthly facility charge based on such difference in costs.

TERM OF CONTRACT

The contract terms will depend on the conditions of service. No contract shall be written for a period less than five (5) years. A separate contract shall be written for each meter at each location.

GENERAL TERMS AND CONDITIONS

The Company's General Terms and Conditions are incorporated by reference and a part of this rate schedule.

RATE 21A

EXPERIMENTAL PROGRAM - GENERAL SERVICE
TIME-OF-USE-DEMAND

(Page 1 of 2)

AVAILABILITY

This rate is available on a voluntary "first come, first serve" basis to the first 250 Rate 20 customer accounts and any Rate 21 customer account that qualify under the provisions of the stipulation approved by the South Carolina Public Service Commission in Docket #2002-223-E order No. 2003-38 dated January 31, 2003. This rate will be closed after the initial participant group is established, except there will be 25 additional customer accounts that will be allowed to participate on a "first come first serve" basis for new facilities constructed by customers in the initial participant group and as provided for in the stipulation as referenced above. The stipulation referenced above shall provide guidance as to any issue regarding availability on this rate. It is not available for resale service.

CHARACTER OF SERVICE

Alternating current, 60 hertz, three phase, metering at the delivery voltage which shall be standard to the Company's operation.

RATE PER MONTH

| | |
|---------------------------------------|--------------------|
| I. Basic Facilities Charge: | \$ 200.00 |
| II. Demand Charge: | |
| A. On-Peak Billing Demand: | |
| 1. Summer Months of June-September @ | \$ 21.62 per KVA |
| 2. Non-Summer Months of October-May @ | \$ 13.46 per KVA |
| B. Off-Peak Billing Demand | |
| 1. All Off-Peak Billing Demand @ | \$ 4.18 per KVA |
| III. Energy Charge: | |
| A. On-Peak kWh | |
| 1. Summer Months of June-September @ | \$ 0.08738 per kWh |
| 2. Non-Summer Months of October-May @ | \$ 0.05912 per kWh |
| B. Off-Peak kWh | |
| 1. All Off-Peak @ | \$ 0.04619 per kWh |

BILLING DEMAND

The billing demands will be rounded to the nearest whole KVA. The maximum integrated fifteen minute demand for any period may be recorded on a rolling time interval.

For the summer months, the on-peak billing demand shall be the maximum integrated fifteen minute demand measured during the on-peak hours of the current month.

For the non-summer months, the on-peak billing demand will be the greater of: (1) the maximum integrated fifteen minute demand measured during the on-peak hours of the current month, or (2) eighty percent (80%) of the maximum integrated demand occurring during the on-peak hours of the preceding summer months.

The off-peak billing demand shall be the greatest of the following positive differences: (1) the maximum integrated fifteen minute demand measured during the off-peak hours minus the on-peak billing demand, (2) the contract demand minus the on-peak billing demand or (3) 50 KVA minus the on-peak billing demand.

DETERMINATION OF ON-PEAK AND OFF-PEAK HOURS

A. On-Peak Hours During Summer Months:

June-September:

The on-peak summer hours are defined as the hours between 1:00 p.m.-9:00 p.m., Monday-Friday, excluding holidays.*

B. On-Peak Hours During Non-Summer Months:

May and October:

The on-peak non-summer hours are defined as the hours between 1:00 p.m.-9:00 p.m., Monday-Friday, excluding holidays.*

November-April:

The on-peak non-summer hours are defined as these hours between 6:00 a.m.-12:00 noon and 5:00 p.m.-9:00 p.m., Monday-Friday, excluding holidays.*

C. Off-Peak Hours:

The off-peak hours in any month are defined as all hours not specified as on-peak hours.

*Holidays are: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

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RATE 21A

EXPERIMENTAL PROGRAM - GENERAL SERVICE
TIME-OF-USE-DEMAND
(Page 2 of 2)**ADJUSTMENT FOR FUEL AND VARIABLE ENVIRONMENTAL COSTS**

Fuel costs of \$.03347 per kWh are included in the energy charge and are subject to adjustment by order of the Public Service Commission of South Carolina.

DEMAND SIDE MANAGEMENT COMPONENT

The energy charges above include a DSM component of \$.00075 per kWh for Demand Side Management expenses.

PENSION COST COMPONENT

The energy charges above include a Pension Costs component of \$.00051 per kWh as approved by the Public Service Commission of South Carolina.

STORM DAMAGE COMPONENT

Inclusion of a storm damage component has been indefinitely suspended until further order of the Public Service Commission of South Carolina.

SALES AND FRANCHISE TAX

To the above will be added any applicable sales tax, franchise fee or business license tax which may be assessed by any state or local governmental body.

PAYMENT TERMS

All bills are net and payable when rendered.

SPECIAL PROVISIONS

The Company will furnish service in accordance with its standard specifications. Non-standard service will be furnished only when the customer pays the difference in costs between non-standard service and standard service or pays to the Company its normal monthly facility charge based on such difference in costs.

TERM OF CONTRACT

The contract terms will depend on the conditions of service. The contract for this experimental program shall be written for a period of 48 months as provided for in the stipulation approved by the South Carolina Public service Commission in docket No. 2002-223-E, order No. 2003-38 dated July 31, 2003. A separate contract shall be written for each meter at each location.

GENERAL TERMS AND CONDITIONS

The Company's General Terms and Conditions are incorporated by reference and a part of this rate schedule.

RATE 22

SCHOOL SERVICE

AVAILABILITY

This rate is available to customers using the Company's standard service which is specified as a single point of delivery per premises from an existing overhead distribution system for general light and/or power service to schools. It is not available for resale service. It is only available to recognized non-boarding schools with up through grade twelve.

CHARACTER OF SERVICE

Alternating Current, 60 hertz. Voltage and phase at the option of the Company.

RATE PER MONTH

| | |
|--------------------------|--------------------|
| Basic Facilities Charge: | \$ 14.55 |
| Plus Energy Charge: | |
| First 50,000 kWh @ | \$ 0.10977 per kWh |
| Excess over 50,000 kWh @ | \$ 0.12868 per kWh |

MINIMUM CHARGE

The monthly minimum charge shall be the basic facilities charge as stated above, provided however, when construction costs exceed four (4) times the estimated annual revenue excluding fuel revenue to be derived by the Company, the customer may make a contribution in aid of construction of the excess cost or pay the Company's standard facility rate on the excess construction cost in addition to the rate charges above.

ADJUSTMENT FOR FUEL AND VARIABLE ENVIRONMENTAL COSTS

Fuel costs of \$.03365 per kWh are included in the energy charge and are subject to adjustment by order of the Public Service Commission of South Carolina.

DEMAND SIDE MANAGEMENT COMPONENT

The energy charges above include a DSM component of \$.00105 per kWh for Demand Side Management expenses.

PENSION COSTS COMPONENT

The energy charges above include a Pension Costs component of \$.00051 per kWh as approved by the Public Service Commission of South Carolina.

STORM DAMAGE COMPONENT

Inclusion of a storm damage component has been indefinitely suspended until further order of the Public Service Commission of South Carolina.

SALES AND FRANCHISE TAX

To the above will be added any applicable sales tax, franchise fee or business license tax which may be assessed by any state or local governmental body.

PAYMENT TERMS

All bills are net and payable when rendered.

SPECIAL PROVISIONS

The Company will furnish service in accordance with its standard specifications. Under no conditions will the Company allow the service to be resold to or shared with others. Non-standard service will be furnished only when the customer pays the difference in costs between non-standard service and standard service or pays to the Company its normal monthly facility charge based on such difference in costs.

When a school offers activities that, in the sole opinion of the Company, are of a commercial nature such as day care, camps or recreational activities, the Company may require that the account be served under the appropriate general service rate.

TERM OF CONTRACT

Contracts shall be written for a period of not less than five (5) years. A separate contract shall be written for each meter at each location.

GENERAL TERMS AND CONDITIONS

The Company's General Terms and Conditions are incorporated by reference and are a part of this rate schedule.

RATE 23

INDUSTRIAL POWER SERVICE

AVAILABILITY

This rate is available to any customer classified in the major industrial group of manufacturing with 10-14 or 20-39 as the first two digits of the Standard Industrial Classification or 21 or 31-33 as the first two digits of the six digit North American Industry Classification System using the Company's standard service for power and light requirements and having a contract demand of 1,000 KW or over. It is not available for resale service.

CHARACTER OF SERVICE

Alternating Current, 60 hertz, three phase, metering at the delivery voltage which shall be standard to the Company's operation.

RATE PER MONTH

| | |
|-----------------------------------|--------------------|
| I. Basic Facilities Charge | \$ 1,925.00 |
| II. Demand Charge: | |
| All KW of Billing Demand @ | \$ 14.76 per KW |

The billing demand (to the nearest whole KW) shall be the greatest of: (1) the maximum integrated fifteen minute demand measured (which may be on a rolling time interval) during the current month; or (2) eighty percent (80%) of the highest demand occurring during the billing months of June through September in the eleven preceding months; or (3) sixty (60%) of the highest demand occurring during the billing months of October through May in the eleven preceding months; or (4) the contract demand; or (5) 1,000 KW.

The customer shall maintain a power factor of as near unity as practicable. If the power factor of the customer's installation falls below 85%, the Company will adjust the billing demand to a basis of 85% power factor.

III. Energy Charge:

| | |
|-----------|--------------------|
| All kWh @ | \$ 0.05015 per kWh |
|-----------|--------------------|

DISCOUNT

A discount of \$0.60 per KW of billing demand will be allowed when the service is supplied at a delivery voltage of 48,000 volts or higher.

MINIMUM CHARGE

The monthly minimum charge is the demand as determined above. The Company may allow a buildup period not to exceed six months for new and expanding accounts during which time the contract demand and/or the minimum demand specified in the rate schedule may be waived. The Company shall not commit itself to a buildup period exceeding six months without prior approval of the Commission for the specific account involved.

ADJUSTMENT FOR FUEL AND VARIABLE ENVIRONMENTAL COSTS

Fuel costs of \$0.03321 per kWh are included in the energy charge and are subject to adjustment by order of the Public Service Commission of South Carolina.

DEMAND SIDE MANAGEMENT COMPONENT

The energy charges above include a DSM component of \$0.00007 per kWh for Demand Side Management expenses.

PENSION COSTS COMPONENT

The energy charges above include a Pension Costs component of \$0.00051 per kWh as approved by the Public Service Commission of South Carolina.

STORM DAMAGE COMPONENT

Inclusion of a storm damage component has been indefinitely suspended until further order of the Public Service Commission of South Carolina.

SALES AND FRANCHISE TAX

To the above will be added any applicable sales tax, franchise fee or business license tax which may be assessed by any state or local governmental body.

PAYMENT TERMS

All bills are net and payable when rendered.

SPECIAL PROVISIONS

The Company will furnish service in accordance with its standard specifications. Non-standard service will be furnished only when the customer pays the difference in costs between non-standard service and standard service or pays to the Company its normal monthly facility charge based on such difference in costs.

TERM OF CONTRACT

The contract terms will depend on the conditions of service. No contract shall be written for a period less than five (5) years. A separate contract shall be written for each meter at each location.

GENERAL TERMS AND CONDITIONS

The Company's General Terms and Conditions are incorporated by reference and a part of this rate schedule.

RATE 24

LARGE GENERAL SERVICE
TIME-OF-USE
(Page 1 of 2)

AVAILABILITY

This rate is available to any customer using the Company's standard service for power and light requirements and having a contract demand of 1,000 KW or over. It is not available for resale service.

CHARACTER OF SERVICE

Alternating Current, 60 hertz, three phase, metering at the delivery voltage which shall be standard to the Company's operation.

RATE PER MONTH

| | | |
|---------------------------------------|------------|-------------|
| I. Basic Facilities Charge: | | \$ 1,925.00 |
| II. Demand Charge: | | |
| A. On-Peak Billing Demand | | |
| 1. Summer Months of June-September @ | \$ 17.75 | per KW |
| 2. Non-Summer Months of October-May @ | \$ 12.42 | per KW |
| B. Off-Peak Billing Demand | | |
| 1. All Off-Peak Billing Demand @ | \$ 5.38 | per KW |
| III. Energy Charge: | | |
| A. On-Peak kWh | | |
| 1. Summer Months of June-September @ | \$ 0.08318 | per kWh |
| 2. Non-Summer Months of October-May @ | \$ 0.06011 | per kWh |
| B. Off-Peak kWh | | |
| 1. All Off-Peak @ | \$ 0.04608 | per kWh |

BILLING DEMAND

The billing demands will be rounded to the nearest whole KW. If the power factor of the customer's current month maximum integrated fifteen minute KW demand for the on-peak and off-peak time periods are less than 85%, then the Company will adjust same to 85%. The maximum integrated fifteen minute demand for any period may be recorded on a rolling time interval.

For the summer months, the on-peak billing demand shall be the maximum integrated fifteen minute demand measured during the on-peak hours of the current month.

For the non-summer months, the on-peak billing demand will be the greater of: (1) the maximum integrated fifteen minute demand measured during the on-peak hours of the current month, or (2) eighty percent (80%) of the maximum integrated demand occurring during the on-peak hours of the preceding summer months.

The off-peak billing demand shall be the greatest of the following positive differences: (1) the maximum integrated fifteen minute demand measured during the off-peak hours minus the on-peak billing demand, or (2) the contract demand minus the on-peak billing demand, or (3) 1,000 KW minus the on-peak billing demand.

DISCOUNT

A discount of \$0.60 per KW of on-peak and off-peak billing demand will be allowed when the service is supplied at a delivery voltage of 46,000 volts or higher.

DETERMINATION OF ON-PEAK HOURS

A. On-Peak Hours During Summer Months:

June-September:

The on-peak summer hours are defined as the hours between 1:00 p.m.-9:00 p.m., Monday-Friday, excluding holidays.*

B. On-Peak Hours During Non-Summer Months:

May and October:

The on-peak non-summer hours are defined as the hours between 1:00 p.m.-9:00 p.m., Monday-Friday, excluding holidays.*

November-April:

The on-peak non-summer hours are defined as those hours between 6:00 a.m.-12:00 noon and 5:00 p.m.-9:00 p.m., Monday-Friday, excluding holidays.*

C. Off-Peak Hours:

The off-peak hours in any month are defined as all hours not specified as on-peak hours.

*Holidays are: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

Effective Upon Approval of The Public
Service Commission of South Carolina

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RATE 24**LARGE GENERAL SERVICE
TIME-OF-USE
(Page 2 of 2)****MINIMUM CHARGE**

The monthly minimum charge is the demand as determined above. The Company may allow a buildup period not to exceed six months for new and expanding accounts during which time the contract demand and/or the minimum demand specified in the rate schedule may be waived. The Company shall not commit itself to a buildup period exceeding six months without prior approval of the Commission for the specific account involved.

ADJUSTMENT FOR FUEL AND VARIABLE ENVIRONMENTAL COSTS

Fuel costs of \$.03321 per kWh are included in the energy charge and are subject to adjustment by order of the Public Service Commission of South Carolina.

DEMAND SIDE MANAGEMENT COMPONENT

The energy charges above include a DSM component of \$.00007 per kWh for Demand Side Management expenses.

PENSION COSTS COMPONENT

The energy charges above include a Pension Costs component of \$.00051 per kWh as approved by the Public Service Commission of South Carolina.

STORM DAMAGE COMPONENT

Inclusion of a storm damage component has been indefinitely suspended until further order of the Public Service Commission of South Carolina.

SALES AND FRANCHISE TAX

To the above will be added any applicable sales tax, franchise fee or business license tax which may be assessed by any state or local governmental body.

PAYMENT TERMS

All bills are net and payable when rendered.

SPECIAL PROVISIONS

The Company will furnish service in accordance with its standard specifications. Non-standard service will be furnished only when the customer pays the difference in costs between non-standard service and standard service or pays to the Company its normal monthly facility charge based on such difference in costs.

TERM OF CONTRACT

The contract terms will depend on the conditions of service. No contract shall be written for a period of less than five (5) years. A separate contract shall be written for each meter at each location.

GENERAL TERMS AND CONDITIONS

The Company's General Terms and Conditions are incorporated by reference and a part of this rate schedule.

SOUTH CAROLINA ELECTRIC & GAS COMPANY**ELECTRICITY****RATE 25****OVERHEAD
FLOODLIGHTING****AVAILABILITY**

This rate is available to customers using the Company's electric service for Overhead Floodlighting.

RATE

All night floodlighting service where fixtures are mounted on Company's standard wooden poles which are part of Company's distribution system will be charged for at the following rates:

| SIZE AND DESCRIPTION | | | Lamp Charges per Month | kWh per Month |
|----------------------|--------|-------------------------|---------------------------|------------------|
| 30,000 | Lumens | (MH) (320W) | \$ 25.24 | 123 |
| 45,000 | Lumens | (HPS) (400W) | \$ 23.58 | 158 |
| 110,000 | Lumens | (Metal Halide) (1,000W) | \$ 49.90 | 359 |
| 140,000 | Lumens | (HPS) (1,000W) Flood | \$ 42.53 | 368 |

The following fixtures are available for new installations only to maintain pattern sensitive areas:

| | | | | |
|---------|--------|-------------------------|----------|-----|
| 45,000 | Lumens | (HPS) (360W) - Retrofit | \$ 24.04 | 164 |
| 130,000 | Lumens | (HPS) (940W) - Retrofit | \$ 42.99 | 370 |

Effective January 2009, selected existing light sets will no longer be available for new installations. Replacement light sets will only be available until inventory is depleted and will be replaced on a first-come, first-served basis. Affected lights are as follows:

| | | | | |
|--------|--------|-----------------------|----------|-----|
| 20,000 | Lumens | (Mercury) (400W) | \$ 22.89 | 159 |
| 40,000 | Lumens | (Metal Halide) (400W) | \$ 29.71 | 159 |
| 55,000 | Lumens | (Mercury) (1,000W) | \$ 36.43 | 359 |

Cost per month for each additional pole:

| 25' | 30' | 35' | 40' | 45' |
|--------------|--------|--------|--------|--------|
| (Fiberglass) | | | | |
| \$10.65 | \$5.20 | \$5.76 | \$6.90 | \$8.35 |

MINIMUM CHARGE

When construction costs exceed four (4) times the estimated annual revenue excluding fuel revenue to be derived by the Company, the customer may make a contribution in aid of construction of the excess cost or pay the Company's standard facility rate on the excess construction cost in addition to the rate charges above.

ADJUSTMENT FOR FUEL AND VARIABLE ENVIRONMENTAL COSTS

Fuel costs of \$.03278 per kWh are included in the monthly lamp charge and are subject to adjustment by order of the Public Service Commission of South Carolina.

PENSION COSTS COMPONENT

The energy charges above include a Pension Costs component of \$.00051 per kWh as approved by the Public Service Commission of South Carolina.

STORM DAMAGE COMPONENT

Inclusion of a storm damage component has been indefinitely suspended until further order of the Public Service Commission of South Carolina.

SALES AND FRANCHISE TAX

To the above will be added any applicable sales tax, franchise fee or business license tax which may be assessed by any state or local governmental body.

PAYMENT TERMS

All bills are net and payable when rendered.

TERM OF CONTRACT

The initial term of this contract shall be for a period of five (5) years and, thereafter, for like periods until terminated by either party on thirty days' written notice, but the Company may require a contract of initial term up to ten (10) years and may require an advance deposit not to exceed one half of the estimated revenue for the term of the initial contract. The Company reserves the right to remove its facilities when subject to vandalism or for other cogent reasons.

SPECIAL PROVISIONS

The Company will furnish, erect, operate and maintain all necessary equipment in accordance with its standard specifications. It is the customer's responsibility to notify the Company when equipment fails to operate properly. Non-standard service requiring underground, special fixtures and/or poles will be furnished only when the customer pays the difference in costs between such non-standard service and standard service or pays to the Company its normal monthly facility charge based on such difference in costs.

GENERAL TERMS AND CONDITIONS

The Company's General Terms and Conditions are incorporated by reference and are a part of this rate schedule.

Effective Upon Approval of The Public
Service Commission of South Carolina

RATE 26**OVERHEAD PRIVATE
STREET LIGHTING****AVAILABILITY**

This rate is available to customers using the Company's electric service for overhead street lighting.

RATE

All night street lighting service where fixtures are mounted on Company's existing standard wooden poles which are a part of Company's distribution system will be charged for at the following rates:

| SIZE AND DESCRIPTION | | | Lamp Charges per Month | kWh per Month |
|--|--------|-------------------------------------|---------------------------|------------------|
| 9,000 | Lumens | (MH) (100W) Closed Type | \$ 11.21 | 37 |
| 15,000 | Lumens | (HPS) (150W) Open Type | \$ 10.70 | 57 |
| 15,000 | Lumens | (HPS) (150W) Closed Type | \$ 12.25 | 62 |
| 30,000 | Lumens | (MH) (320W) Closed Type | \$ 18.67 | 123 |
| 50,000 | Lumens | (HPS) (400W) Closed Type | \$ 20.18 | 158 |
| The following fixtures are available for new installations only to maintain pattern sensitive areas: | | | | |
| 9,500 | Lumens | (HPS) (100W) Open Type | \$ 10.72 | 38 |
| 9,500 | Lumens | (HPS) (100W) Closed Type | \$ 11.04 | 38 |
| 15,000 | Lumens | (HPS) (150W) Open Type - Retrofit | \$ 10.69 | 63 |
| 27,500 | Lumens | (HPS) (250W) Closed Type | \$ 17.48 | 102 |
| 45,000 | Lumens | (HPS) (360W) Closed Type - Retrofit | \$ 20.34 | 164 |

Effective January 2009, selected existing light sets will no longer be available for new installations. Replacement light sets will only be available until inventory is depleted and will be replaced on a first-come, first-served basis. Affected lights are as follows:

| | | | | |
|--------|--------|------------------------------|----------|-----|
| 7,500 | Lumens | (Mercury) (175W) Open Type | \$ 10.15 | 69 |
| 7,500 | Lumens | (Mercury) (175W) Closed Type | \$ 12.25 | 69 |
| 10,000 | Lumens | (Mercury) (250W) Open Type | \$ 14.90 | 95 |
| 20,000 | Lumens | (Mercury) (400W) Closed Type | \$ 18.72 | 159 |

| Cost per month for each additional pole: | | | | |
|--|--------|--------|--------|--------|
| 25' | 30' | 35' | 40' | 45' |
| (Fiberglass) | | | | |
| \$10.65 | \$5.20 | \$5.75 | \$6.90 | \$8.35 |

MINIMUM CHARGE

When construction costs exceed four (4) times the estimated annual revenue excluding fuel revenue to be derived by the Company, the customer may make a contribution in aid of construction of the excess cost or pay the Company's standard facility rate on the excess construction cost in addition to the rate charges above.

ADJUSTMENT FOR FUEL AND VARIABLE ENVIRONMENTAL COSTS

Fuel costs of \$.03278 per kWh are included in the monthly lamp charge and are subject to adjustment by order of the Public Service Commission of South Carolina.

PENSION COSTS COMPONENT

The energy charges above include a Pension Costs component of \$.00051 per kWh as approved by the Public Service Commission of South Carolina.

STORM DAMAGE COMPONENT

Inclusion of a storm damage component has been indefinitely suspended until further order of the Public Service Commission of South Carolina.

SALES AND FRANCHISE TAX

To the above will be added any applicable sales tax, franchise fee or business license tax which may be assessed by any state or local governmental body.

PAYMENT TERMS

All bills are net and payable when rendered.

TERM OF CONTRACT

The initial term of this contract shall be for a period of five (5) years and, thereafter, for like periods until terminated by either party on thirty days' written notice, but the Company may require a contract of initial term up to ten (10) years and may require an advance deposit not to exceed one half of the estimated revenue for the term of the initial contract. The Company reserves the right to remove its facilities when subject to vandalism or for other cogent reasons.

SPECIAL PROVISIONS

The Company will furnish, erect, operate and maintain all necessary equipment in accordance with its standard specifications. It is the customer's responsibility to notify the Company when equipment fails to operate properly. Non-standard service requiring underground, special fixtures and/or poles will be furnished only when the customer pays the difference in costs between such non-standard service and standard service or pays to the Company its normal monthly facility charge based on such difference in costs.

GENERAL TERMS AND CONDITIONS

The Company's General Terms and Conditions are incorporated by reference and are a part of this rate schedule.

RATE 27

**LARGE POWER SERVICE
REAL TIME PRICING
(EXPERIMENTAL)**

Availability

This rate is available for Large Commercial and Industrial Customers. Qualifying Customers must have a monthly maximum demand of not less than 1000 kW.

This rate schedule is not available in conjunction with the Company's Interruptible Rider. Also, this rate is not available for resale service.

Metering Of Load

Standard metering for Real-Time Pricing (RTP) is the conventional interval demand recording meter typically used for Customers with loads of 1000 kW or greater.

Charges Per Month

Baseline Charges: The Baseline Charges for each Customer are calculated using the current version of the Customer's otherwise applicable tariff and the Baseline Billing determinants. If there is a change in the filed tariff rates used to calculate the baseline charges or if the base fuel rate changes, these changes will be reflected in the baseline charges.

Marginal Energy Charge: The Energy Charge is an hourly cents per KWH charge. It consists of the incremental energy cost and any other directly related marginal production costs including line losses for that hour. This charge will be communicated to the Customer as described in the Billing Determination below.

Rationing Charge: The Rationing Charge is an hourly cents per KWH charge. It consists of generation costs only. These costs will be applied when regional available generation capacity is low. If these conditions do not occur, the Rationing Charge will be zero. The Rationing Charge will be communicated to the Customer as described in the Notice and Billing Determination below.

Risk Adder: \$.005 per KWH will be applied to the incremental kilowatt hours above and below the Customer Base Load.

Transmission Charge: All new RTP load above the Customer Baseline Load (CBL) will carry a per KWH transmission charge plus charges for two ancillary services, scheduling and dispatch service and reactive supply and voltage control service. The transmission charge for RTP load above the CBL is \$.00469 per KWH.

Pension Costs Component: The energy charges above include a Pension Costs component of \$.00051 per KWH as approved by the Public Service Commission of South Carolina.

Administrative Charge: An administrative charge of \$200 per month will be charged to cover billing, administrative, and communication costs associated with the LPS (Large Power Service)-RTP program.

Sales Tax and Franchise Charge: To the above will be added any applicable sales tax, franchise fee or business license tax which may be assessed by any state or local governmental body.

Bill Determination

LPS-RTP Bill $_{Mo.}$ = Baseline Charges. $_{Mo.}$ + $(\Sigma ((Price_{Hr.} \times New Load_{Hr.}) - (Price_{Hr.} \times Reduced Load_{Hr.}))) + (Transmission Charge_{Hr.} * New Load_{Hr.}) + Admn. Charges + Applicable Taxes.$

Where:

LPS-RTP Bill $_{Mo.}$ = Total Customer's RTP bill.

Baseline Charge $_{Mo.}$ = Monthly charge calculated using the Customer approved Baseline Billing Determinants and the current version of the Customer's otherwise applicable rate schedule.

Σ = Sum of all hours of the monthly billing period.

Price $_{Hr.}$ = The hourly marginal energy charge plus the hourly rationing charge plus the risk adder.

New Load $_{Hr.}$ = The Customer's metered hourly actual load less the hourly baseline load when the hourly actual load exceeds the hourly baseline load.

Reduced Load $_{Hr.}$ = The Customer's metered hourly actual load less the hourly baseline load when the hourly baseline load exceeds the hourly actual load.

Transmission Charges $_{Hr.}$ = Per KWH charge on the new RTP load recorded in the monthly billing period above the CBL.

Administrative Charge = The monthly charge for administration of Rate 27.

Applicable Taxes = The monthly applicable sales tax, franchise fee and / or business license tax.

Notice and Billing Determination

Pricing Period: Each hour of each day is a separate pricing period and the corresponding quoted energy price is applicable to energy consumption during that hour that differs from the CBL. Each day begins at 12:00:01 a.m. and ends at 12:00 midnight. Each hour begins at the one second mark and ends on the hour mark.

Marginal Energy Charge and Rationing Charge Notification: Each business day by 4:00 p.m., 24 hourly prices consisting of the hourly Incremental Energy Charge, the risk adder, if applicable and the hourly Rationing Charge, for the following day will be communicated to the Customer via a method specified by the Company. Prices for weekends, including Mondays and holidays, may be communicated to the Customer by 4:00 p.m. the business day prior to the weekend or holiday. Holidays are defined in the conventional Company tariffs. The Company reserves the right to change any hourly price by 4:00 p.m. on the day prior to the affected day. The Customer shall supply the Company the name and 24 hour telephone number of a contact person. It is the Customer's responsibility to notify the Company if the pricing information is not received. If, for any reason, the Customer fails to receive the pricing information by 5:00 p.m. and fails to notify the Company that it has not received the prices, the Company is under no obligation to change or alter the prices it has posted and will bill the Customer according to the provisions set forth above. The Company is not responsible for a Customer's failure to act upon the hourly RTP prices.

Power Factor Adjustment: The Customer shall maintain a power factor of as near unity as practical. If the average hourly monthly power factor falls below 85%, a power factor adjustment charge will be assessed as follows:

$$\text{Power Factor Adj.} = ((\text{MkVA} * 85\%) - \text{MkW}) * \text{kW Charge}$$

Where:

MkVA = kVA measured at the time of MkW

MkW = Maximum kW in any 15 minute period during the current month

kW Charge = Kilowatt Charge from standard rate schedule

CBL Calculation

At the beginning of each year, except for the Customer's initial subscription year on RTP, the Customer's current CBL shall be adjusted following the rules and procedures described below as a condition for continued subscription to RTP. Failure by the Customer to approve the revised CBL as part of the RTP contract shall result in the cancellation of the RTP contract and the Customer's service shall be billed under the rate schedule applicable prior to subscription or under such rate schedule as is appropriate to the Customer's service classification.

Standard CBL Adjustment

At the beginning of each year, the previous calendar year's billing determinants will be reviewed to determine the level of demand and energy that is subject to real time pricing. If the level of demand or energy or both exceeds 20% of the total demand or energy or both, then the CBL will be adjusted in order to limit the amount of load subject to real time pricing to 20% of the previous calendar year's total load. If the level of demand or energy subject to RTP is less than 20% of the previous calendar year's total load, then no adjustment to the CBL will be required.

Baseline Billing Determinants: The Baseline Billing Determinants are developed using a complete year of hourly load data that accurately represents the Customer's electrical load pattern. This is negotiated and agreed to by the Customer and the Company as representative of the Customer's operation. The Baseline Billing Determinants will be used to measure changes in consumption for Rate 27 billing. The Customer and the Company must agree on the Baseline Billing Determinants before the Customer is put on the Rate 27. Once agreed upon, the Baseline Billing Determinants cannot be changed except for the reasons outlined in CBL Calculation and Standard CBL Adjustment or the following:

- Any permanent plant additions or improvements that affect load levels as verified to the Company's satisfaction
- Any permanent plant shutdowns
- Any adjustments that reflect the Customer's response to Company sponsored load management program

Any changes in the Baseline Billing Determinants resulting from the reasons above, must be agreed upon by the Company and the Customer. The Customer must provide documentation sufficient to substantiate the requested CBL adjustment. The Company, at its sole discretion, will determine whether to adjust the CBL. If changes in the Customer's electricity usage level cause the Company to change out, modify, or enhance any equipment associated with service delivery voltage, the Customer shall reimburse the Company for all cost incurred as a condition for continuing on Rate 27.

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Special Provisions

Adjustment for Fuel Costs: The Company's Adjustment for Fuel Costs is incorporated as part of, and will apply to all service supplied under this Rate Schedule, including the determination of the Baseline Charge.

Payment Terms: All bills are net and payable when rendered.

Terms of Contract: The term of contract for this rate is five (5) years with a minimum of twenty-four (24) months termination notice requirement. Upon termination, the Customer may not return to Rate 27 pricing for a minimum of twelve (12) months. If the Customer reverts to the rate schedule under which service was received prior to Rate 27 or any other eligible rate, usage under Rate 27 will not affect the Customer's billing determinants under that rate schedule nor will it affect the term of the Customer's new contract. Following the minimum 12 month absence, should a customer elect to return to Rate 27, the Customer will be treated as a new Rate 27 customer for purposes of administering this tariff.

Billing Cycle: The Customer shall be billed on a calendar month basis.

Facility Charges: Facility Charges will be billed under the Baseline Charges. Any extra facility charges will be calculated according to Company policy and procedure, and billed as part of the total bill.

General Terms and Conditions: The Company's General Terms and Conditions, including curtailment provisions, are incorporated by reference and are part of this rate schedule.

Effective Upon Approval of The Public
Service Commission of South Carolina

**RATE 28
(EXPERIMENTAL)****SMALL GENERAL SERVICE
TIME-OF-USE DEMAND
(Page 1 of 2)****AVAILABILITY**

This rate is available to any non-residential customer using the Company's standard service which is specified as a single point of delivery per premises from an existing overhead distribution system for power and light requirements and having an on-peak demand of not more than 100KW. The second billing month within a twelve billing month period that on-peak demand exceeds 100 KW will terminate eligibility under this rate schedule. It is not available for resale service. This rate is available to a maximum of 25 customers not enrolled under the Company's Rider to Rates 7 & 28 - Net Metering For Renewable Energy Facilities.

CHARACTER OF SERVICE

Alternating Current, 60 hertz. Voltage and phase at the option of the Company.

RATE PER MONTH

| | |
|---------------------------------------|--------------------|
| I. Basic Facilities Charge: | \$ 23.90 |
| II. Demand Charge: | |
| A. On-Peak Billing Demand: | |
| 1. Summer months of June-September @ | \$ 18.42 per KW |
| 2. Non-Summer months of October-May @ | \$ 11.51 per KW |
| B. Off-Peak Billing Demand | |
| 1. All Off-Peak Billing Demand @ | \$ 3.68 per KW |
| III. Energy Charge: | |
| A. On-Peak kWh | |
| 1. All On-Peak @ | \$ 0.11344 per kWh |
| B. Off-Peak kWh | |
| 2. All Off-Peak @ | \$ 0.08689 per kWh |

BILLING DEMAND

The billing demands will be rounded to the nearest whole KW. The maximum integrated fifteen minute demand for any period may be recorded on a rolling time interval.

For the summer months, the on-peak billing demand shall be the maximum integrated fifteen minute demand measured during the on-peak hours of the current month.

For the non-summer months, the on-peak billing demand will be the greater of: (1) the maximum integrated fifteen minute demand measured during the on-peak hours of the current month, or (2) eighty percent (80%) of the maximum integrated demand occurring during the on-peak hours of the preceding summer months.

The off-peak billing demand shall be the greatest of the following positive differences: (1) the maximum integrated fifteen minute demand measured during the off-peak hours minus the on-peak billing demand or (2) the contract demand minus the on-peak billing demand.

DETERMINATION OF ON-PEAK HOURS**A. On-Peak Hours:**

June-September:

The on-peak summer hours are defined as the hours between 1:00 p.m.-9:00 p.m., Monday-Friday, excluding holidays.*

October-May:

The on-peak non-summer hours are defined as those hours between 6:00 a.m.-10:00 a.m. and 6:00 p.m.-10:00 p.m.

Monday-Friday, excluding holidays.*

B. Off-Peak Hours:

The off-peak hours in any month are defined as all hours not specified as on-peak hours.

*Holidays are: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

MINIMUM CHARGE

The monthly minimum charge shall be the basic facilities charge as stated above, provided however, when construction costs exceed four (4) times the estimated annual revenue excluding fuel revenue to be derived by the Company, the customer may make a contribution in aid of construction cost in addition to the rate charges above.

Effective Upon Approval of The Public
Service Commission of South Carolina

**RATE 28
(EXPERIMENTAL)****SMALL GENERAL SERVICE
TIME-OF-USE DEMAND
(Page 2 of 2)****ADJUSTMENT FOR FUEL AND VARIABLE ENVIRONMENTAL COSTS**

Fuel costs of \$.03365 per kWh are included in the energy charge and are subject to adjustment by order of the Public Service Commission of South Carolina.

DEMAND SIDE MANAGEMENT COMPONENT

The energy charges above include a DSM component of \$.00105 per kWh for Demand Side Management expenses.

PENSION COSTS COMPONENT

The energy charges above include a Pension Costs component of \$.00051 per kWh as approved by the Public Service Commission of South Carolina.

STORM DAMAGE COMPONENT

Inclusion of a storm damage component has been indefinitely suspended until further order of the Public Service Commission of South Carolina.

SALES AND FRANCHISE TAX

To the above will be added any applicable sales tax, franchise fee or business license tax which may be assessed by any state or local governmental body.

POWER FACTOR

If the power factor of the customer's installation falls below 85%, the Company may adjust the billing to a basis of 85% power factor.

PAYMENT TERMS

All bills are net and payable when rendered.

SPECIAL PROVISIONS

The Company will furnish service in accordance with its standard specifications. Non-standard service will be furnished only when the customer pays the difference in costs between non-standard service and standard service or pays to the Company its normal monthly facility charge based on such difference in costs.

The Company shall have the right to install and operate special metering equipment to measure customer's loads or any part thereof and to obtain any other data necessary to determine the customer's load characteristics.

TERM OF CONTRACT

The contract terms will depend on the conditions of service. Contracts for installations of a permanent nature shall be written for a period of not less than one (1) year. A separate contract shall be written for each meter at each location.

GENERAL TERMS AND CONDITIONS

The Company's General Terms and Conditions are incorporated by reference and are a part of this rate schedule.

RESIDENTIAL SUBDIVISION STREET LIGHTING

AVAILABILITY

Available to residential subdivisions located on the Company's distribution system. Residents of established subdivisions must first execute a street lighting agreement with the Company. This rate schedule is not available for lighting parking lots, shopping centers, other public or commercial areas or the streets of an incorporated municipality nor if other lighting options are available for new residential subdivisions.

RATE

All night street lighting service where fixtures are mounted on Company's existing standard wooden poles which are a part of Company's overhead distribution system will be charged for at the following rates:

The following amount will be added to each monthly bill rendered for residential electric service within the subdivision:

| <u>Bracket Mounted Luminaries</u> | | | | Lamp Charges per Month |
|---|--------|-------------------------|--|---------------------------|
| 1 light per 8 customers or fraction thereof | | | | |
| 9,000 | Lumens | (MH) (100W) Closed Type | | \$ 2.39 per customer |
| 15,000 | Lumens | (HPS) (150W) Open Type | | \$ 2.32 per customer |
| 15,000 | Lumens | (HPS) (150W) - Retrofit | | \$ 2.32 per customer |

The following metal halide fixtures are available for new installations only to maintain pattern sensitive areas:

| | | | | |
|---|--------|-------------------------|--|----------------------|
| 1 light per 4 customers or fraction thereof | | | | |
| 9,000 | Lumens | (MH) (100W) Closed Type | | \$ 4.78 per customer |
| 1 light per 3 customers or fraction thereof | | | | |
| 9,000 | Lumens | (MH) (100W) Closed Type | | \$ 6.37 per customer |
| 1 light per 2 customers or fraction thereof | | | | |
| 9,000 | Lumens | (MH) (100W) Closed Type | | \$ 9.56 per customer |

All night street lighting service in subdivisions being served from Company's underground distribution system:

The following amount will be added to each monthly bill rendered for residential electric service within the subdivision:

| <u>Post-Top Mounted Luminaries</u> | | | | Traditional Lamp Charges per Month | Modern Lamp Charges per Month | Classic Lamp Charges per Month |
|---|--------|-------------------------|--|--|-------------------------------------|--------------------------------------|
| 1 light per 6 customers or fraction thereof | | | | | | |
| 9,000 | Lumens | (MH) (100W) | | \$ 4.26 | \$ 4.26 | \$ 4.89 per customer |
| 15,000 | Lumens | (HPS) (150W) - Retrofit | | \$ 4.32 | \$ 4.32 | \$ 5.12 per customer |
| 1 light per 4 customers or fraction thereof | | | | | | |
| 9,000 | Lumens | (MH) (100W) | | \$ 6.38 | \$ 6.38 | \$ 7.33 per customer |
| 15,000 | Lumens | (HPS) (150W) - Retrofit | | \$ 6.48 | \$ 6.48 | \$ 7.68 per customer |

The following fixture is available for new installations only to maintain pattern sensitive areas:

| | | | | |
|---|--------|----------------------------|--|----------------------|
| 1 light per 6 customers or fraction thereof | | | | |
| 9,500 | Lumens | (HPS) (100W) - Traditional | | \$ 4.32 per customer |

Effective January 2009, selected existing light sets will no longer be available for new installations. Replacement light sets will only be available until inventory is depleted and will be replaced on a first-come, first-served basis. Affected lights are as follows:

| | | | | |
|---|--------|------------------------------|--|-----------------------|
| Open Type Globe - 1 light per 8 customers or fraction thereof | | | | |
| 7,500 | Lumens | (Mercury) (175W) Open Type | | \$ 2.26 per customer |
| 7,500 | Lumens | (Mercury) (175W) Closed Type | | \$ 2.52 per customer |
| Open Type Globe - 1 light per 4 customers or fraction thereof | | | | |
| 7,500 | Lumens | (Mercury) (175W) Open Type | | \$ 4.51 per customer |
| 7,500 | Lumens | (Mercury) (175W) Closed Type | | \$ 5.04 per customer |
| Open Type Globe - 1 light per 3 customers or fraction thereof | | | | |
| 7,500 | Lumens | (Mercury) (175W) Open Type | | \$ 6.02 per customer |
| 7,500 | Lumens | (Mercury) (175W) Closed Type | | \$ 6.72 per customer |
| Open Type Globe - 1 light per 2 customers or fraction thereof | | | | |
| 7,500 | Lumens | (Mercury) (175W) Open Type | | \$ 9.03 per customer |
| 7,500 | Lumens | (Mercury) (175W) Closed Type | | \$ 10.08 per customer |

| <u>Post-Top Mounted Luminaries</u> | | | | Traditional Lamp Charges per Month | Modern Lamp Charges per Month | Classic Lamp Charges per Month |
|---|--------|------------------|--|--|-------------------------------------|--------------------------------------|
| 1 light per 6 customers or fraction thereof | | | | | | |
| 7,500 | Lumens | (Mercury) (175W) | | \$ 4.24 | \$ 4.22 | \$ 4.99 |
| 1 light per 4 customers or fraction thereof | | | | | | |
| 7,500 | Lumens | (Mercury) (175W) | | \$ 6.35 | \$ 6.33 | \$ 7.49 |

RESIDENTIAL SUBDIVISION STREET LIGHTING**MINIMUM CHARGE**

When construction costs exceed four (4) times the estimated annual revenue excluding fuel revenue to be derived by the Company, the customer may make a contribution in aid of construction of the excess cost or pay the Company's standard facility rate on the excess construction cost in addition to the rate charges above.

ADJUSTMENT FOR FUEL AND VARIABLE ENVIRONMENTAL COSTS

Fuel costs of \$.03278 per kWh are included in the monthly lamp charge and are subject to adjustment by order of the Public Service Commission of South Carolina.

PENSION COSTS COMPONENT

The energy charges above include a Pension Costs component of \$.00051 per kWh as approved by the Public Service Commission of South Carolina.

STORM DAMAGE COMPONENT

Inclusion of a storm damage component has been indefinitely suspended until further order of the Public Service Commission of South Carolina.

SALES AND FRANCHISE TAX

To the above will be added any applicable sales tax, franchise fee or business license tax which may be assessed by any state or local governmental body.

PAYMENT TERMS

All bills are net and payable when rendered.

TERM OF CONTRACT

The initial term of this contract shall be for a period of five (5) years and, thereafter, for like periods until terminated by either party on thirty days' written notice, but the Company may require a contract of initial term up to ten (10) years and may require an advance deposit not to exceed one half of the estimated revenue for the term of the initial contract. The Company reserves the right to remove its facilities when subject to vandalism or for other cogent reasons.

SPECIAL PROVISIONS

The Company will furnish, erect, operate and maintain all necessary equipment in accordance with its standard specifications. It is the customer's responsibility to notify the Company when equipment fails to operate properly. Non-standard service requiring underground, special fixtures and/or poles will be furnished only when the customer pays the difference in costs between such non-standard service and standard service or pays to the Company its normal monthly facility charge based on such difference in costs.

GENERAL TERMS AND CONDITIONS

The Company's General Terms and Conditions are incorporated by reference and are a part of this rate schedule.

Effective Upon Approval of The Public
Service Commission of South Carolina

SOUTH CAROLINA ELECTRIC & GAS COMPANY

ELECTRIC CONTRACTED RATES

| <u>Name of Customer</u> | <u>Rate</u> |
|---|---|
| State Line Accounts* | 23 |
| U. S. Department of Energy Savannah River Operations | |
| Base Contract | <u>Demand Charge:</u> Basic Facility Charge \$ 1,925.00 First 20,000 Kw \$ 12.54 per KW Excess over 20,000 Kw \$ 14.76 per KW <u>Energy Charge:</u> All kWh @ \$ 0.05015 per kWh |
| INTERNATIONAL PAPER Eastover Mills | |
| Economy Power Rate | <u>Administrative Charges:</u> \$ 1,925.00 per month <u>On-Peak Energy Charge:</u> Fuel cost of highest cost generation unit or purchased power (other than cogeneration) plus \$ 0.02118 per kWh <u>Off-Peak Energy Charge:</u> Fuel cost of highest cost generation unit or purchased power (other than cogeneration) plus \$ 0.01158 per kWh <u>Excess Demand Charge:</u> \$ 20.00 per KW |
| Standby Power Rate | <u>Demand Charge:</u> On-peak June-September \$ 0.41589 per KW/Day On-peak October-May \$ 0.24066 per KW/Day Off-peak \$ 0.15715 per KW/Day <u>Energy Charge:</u> Same as that for Economy Power above <u>Excess Demand Charge:</u> \$ 20.00 per KW |

Effective Upon Approval of The Public
Service Commission of South Carolina

SOUTH CAROLINA ELECTRIC & GAS COMPANY**ELECTRIC CONTRACTED RATES****INTERNATIONAL PAPER - continued****Maintenance Power Rate****Demand Charge:** \$ 0.46553 per KW/Day**Energy Charge:** \$ 0.05015 per kWh**Company Provided KVAR** \$ 0.14773 per KVAR**Contracted lighting, signal and
roadway lighting, etc.**

Increase 4.49%

* After contractual (1925 and 1955) adjustments

- Note: (1) Fuel costs of \$.03321 per kWh are included in the energy charge and are subject to adjustment by order of the Public Service Commission of South Carolina.
- (2) Inclusion of a storm damage component has been indefinitely suspended until further order of the Public Service Commission of South Carolina.

Effective Upon Approval of The Public
Service Commission of South Carolina

RIDER TO RETAIL RATES

DEMAND SIDE MANAGEMENT COMPONENT

(Page 1 of 2)

APPLICABILITY

Service supplied under the Company's retail electric rate schedules is subject to approved Demand Side Management (DSM) program cost adjustments. The rates shown below are applicable to and a part of the Company's South Carolina retail electric rate schedules and included in the monthly rate provision of the applicable schedule used in billing and shall therefore be added to customer's monthly bill statement:

DSM RATES BY CLASS (\$/kWh)

| Customer Class | DSM Factors |
|------------------------|-------------|
| Residential | 0.00086 |
| Small General Service | 0.00105 |
| Medium General Service | 0.00075 |
| Large General Service | 0.00007 |

DERIVATION OF FACTORS

Demand Side Management costs to be recovered in an amount rounded to the nearest one-thousandth of a cent per kilowatt-hour, will be determined by the following formula:

$$A = D / S$$

A = Customer Class Specific DSM Program Costs Rate Adjustment per kilowatt-hour applied to base rates rounded to the nearest one-thousandth of a cent.

D = DSM revenue requirement for the period calculated as (C + L + R)

Where:

C = One year of Amortization Expense (based upon the balance of DSM Program Costs at the beginning of the annual review period) plus associated Carrying Costs (calculated using the Company's Weighted Average Cost of Capital)

L = Net Lost Revenues for each customer class based on forecasted retail kWh sales reductions attributable to DSM programs. Revenue lost would be calculated using the average rate per customer class less the class specific fuel component and variable O&M. The resulting factor would then be multiplied by the kWh sales lost for each class of customers. This amount will be "trued-up" for the actual impact on prior year sales.

R = One year of amortization of DSM Program Incentive to be calculated by multiplying the estimated Net Present Value Benefit of each energy efficiency program as determined by the Utility Cost Test times 6%.

S = Projected customer class specific sales, defined as retail kilowatt-hour sales from each class of customers for the current period, less sales from customers who have been approved for opt-out status.

The appropriate revenue-related tax factor is to be included in these calculations.

"OPT-OUT" PROVISION

1. Industrial customers as defined in Rate 23 are eligible to opt-out of DSM programs and costs.
2. Customers wishing to opt-out of DSM programs and recovery of DSM costs shall file a writing with the Company on a form provided by the Company representing that they have already implemented or will be implementing alternative DSM programs. Certifications shall be valid until withdrawn. If a Customer should choose to participate in one or more DSM programs for any account, then such Customer will not be permitted to opt-out of DSM programs and recovery of DSM costs for that account for a period of five years.

Effective Upon Approval of The Public
Service Commission of South Carolina

Order Exhibit No. 2

Docket No. 2012-218-E

Order No. 2012-951

December 20, 2012

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RIDER TO RETAIL RATES**DEMAND SIDE MANAGEMENT COMPONENT**

(Page 2 of 2)

3. Customers who opt-out but later elect to participate in one of the Company's programs may do so upon application to the Company. If acceptable to the Company, the Customer may participate in the Company's programs, but may not apply to opt-out again for a period at least as long as the amortization period.

Since DSM charges are included and a part of retail rates, customers qualifying for the opt-out provision shall receive the following DSM Credit on their monthly bill statement:

$$\text{DSM Credit} = \text{Billed kWh times the applicable DSM Rate}^*$$

* The DSM Rate shall be as shown in the above table for the schedule applicable to Customer's monthly bill.

DEFINITIONS

1. Annual Review Period - The period of time between December 1 and November 30.
2. Amortization Period - The five-year period of time which the Company's DSM measures, program costs and incentive are deferred and amortized.
3. Customer Class - The Company's classification of customers based on similar energy usage characteristics. These are defined as follows:

Residential:

Rate 1 – Good Cents Rate, Rate 2 – Low Use Residential Service, Rate 5 - Residential Service Time-of-Use, Rate 6 – Energy Saver / Conservation Rate, Rate 7 – Residential Service Time-Of-Use Demand, Rate 8 – Residential Service

Small General Service:

Rate 3 – Municipal Power Service, Rate 9 – General Service, Rate 10 – Small Construction Service, Rate 11 – Irrigation Service, Rate 12 – Church Service, Rate 13 – Municipal Lighting Service, Rate 14 – Farm Service, Rate 16 – General Service Time-Of-Use, Rate 22 – School Service, Rate 28 (Experimental) – Small General Service Time-Of-Use Demand

Medium General Service:

Rate 20 – Medium General Service, Rate 21 – General Service Time-Of-Use Demand, Rate 21A – Experimental Program - General Service Time-Of-Use Demand

Large General Service:

Rate 23 – Industrial Power Service, Rate 24 – Large General Service Time-Of-Use, Rate 27 - Large Power Service Real Time Pricing (Experimental)

SALES AND FRANCHISE TAX

To the above will be added any applicable sales tax, franchise fee or business license tax which may be assessed by any state or local governmental body.

PAYMENT TERMS

All bills are net and payable when rendered.

TERM OF CONTRACT

The contract terms will be the same as those incorporated in the rate tariff under which customer receives electric service.

GENERAL TERMS AND CONDITIONS

The Company's General Terms and Conditions are incorporated by reference and form a part of this rider.

Effective Upon Approval of The Public
Service Commission of South Carolina

RIDER TO RETAIL RATES

PENSION COSTS COMPONENT

APPLICABILITY

Service supplied under the Company's retail electric rate schedules is subject to the approved Rider to Retail Rates - Pension Costs Component. The charge shown below is applicable to and a part of the Company's South Carolina retail electric rate schedules for the recovery of pension-related costs and is included in the monthly rate provision of the applicable schedule used in billing.

RIDER RELATED TO PENSION COSTS

The rate listed below is included in all retail electric rate schedule energy charges for the recovery of pension-related costs.

Increment included in all retail electric rate schedules

\$ 0.00051 per kWh

Effective Upon Approval of the Public
Service Commission of South Carolina

ADJUSTMENT FOR FUEL AND VARIABLE ENVIRONMENTAL COSTS

RETAIL RATES
(Page 1 of 2)

APPLICABILITY

This adjustment is applicable to and is part of the Utility's South Carolina retail electric rate schedules.

The fuel and variable environmental costs, to be recovered in an amount rounded to the nearest one-thousandth of a cent per kilowatt-hour, will be determined by the following formulas:

$$F_C = \frac{E_F}{S} + \frac{G_F}{S_1}$$

$$F_{EC} = \frac{E_{EC} + G_{EC}}{S_2}$$

$$\text{Total Fuel Rate} = F_C + F_{EC}$$

Where:

F_C = Fuel cost per kilowatt-hour included in base rate, rounded to the nearest one-thousandth of a cent.

E_F = Total projected system fuel costs:

- (A) Fuel consumed in the Utility's own plants and the Utility's share of fuel consumed in jointly owned or leased plants. The cost of fossil fuel shall include no items other than those listed in Account 151 of the Commission's Uniform System of Accounts for Public Utilities and Licensees. The cost of nuclear fuel shall be that as shown in Account 518 excluding rental payments on leased nuclear fuel and except that, if Account 518 also contains any expense for fossil fuel which has already been included in the cost of fossil fuel, it shall be deducted from this account.

PLUS

- (B) Fuel costs related to purchased power such as those incurred in unit power and limited term power purchases where the fossil fuel costs associated with energy purchased are identifiable and are identified in the billing statement. Also, the cost of "firm generation capacity purchases," which are defined as purchases made to cure a capacity deficiency or to maintain adequate reserve levels. Costs of "firm generation capacity purchases" includes the total delivered costs of firm generation capacity purchased and excludes generation capacity reservation charges, generation capacity option charges and any other capacity charges.

PLUS

- (C) Fuel costs related to purchased power (including transmission charges), such as short term, economy and other such purchases, where the energy is purchased on an economic dispatch basis, including the total delivered cost of economy purchases of electric power defined as purchases made to displace higher cost generation at a cost which is less than the purchasing Utility's avoided variable costs for the generation of an equivalent quantity of electric power.

Energy receipts that do not involve money payments such as diversity energy and payback of storage energy are not defined as purchased or interchange power relative to this fuel calculation.

MINUS

- (D) The cost of fuel recovered through intersystem sales including the fuel costs related to economy energy sales and other energy sold on an economic dispatch basis.

Energy deliveries that do not involve billing transactions such as diversity energy and payback of storage energy are not defined as sales relative to this fuel calculation.

S = Projected system kilowatt-hour sales excluding any intersystem sales.

G_F = Cumulative difference between jurisdictional fuel revenues billed and fuel expenses at the end of the month preceding the projected period utilized in E_F and S .

S_1 = Projected jurisdictional kilowatt-hour sales, for the period covered by the fuel costs included in E_F .

F_{EC} = Customer class variable environmental costs per kilowatt-hour included in base rates, rounded to the nearest one-thousandth of a cent.

Effective Upon Approval of The Public
Service Commission of South Carolina

ADJUSTMENT FOR FUEL AND VARIABLE ENVIRONMENTAL COSTS

RETAIL RATES

(Page 2 of 2)

E_{EC} = The projected variable environmental costs including: a) the cost of ammonia, lime, limestone, urea, dibasic acid, and catalysts consumed in reducing or treating emissions, plus b) the cost of emission allowances, as used, including allowances for SO₂, NO_x, mercury and particulates minus net proceeds of sales of emission allowances, and c) as approved by the Commission, all other variable environmental costs incurred in relation to the consumption of fuel and air emissions caused thereby, including but not limited to environmental reagents, other environmental allowances, and emission related taxes. Any environmental related costs recovered through intersystem sales would be subtracted from the totals produced by subparts a), b), and c).

These environmental costs will be allocated to retail customer classes based upon the customer class firm peak demand allocation from the prior year.

G_{EC} = Cumulative difference between jurisdictional customer class environmental fuel revenues billed and jurisdictional customer class environmental costs at the end of the month preceding the projected period utilized in E_{EC} and S₂.

S₂ = The projected jurisdictional customer class kilowatt-hour sales.

The appropriate revenue-related tax factor is to be included in these calculations.

FUEL RATES BY CLASS

The total fuel costs in cents per kilowatt-hour by customer class as determined by the Public Service Commission of South Carolina in Order No. ____-____ are as follows, effective upon approval of the Commission:

| Customer Class | F _C Rate | + | F _{EC} Rate | = | Total Fuel Rate |
|------------------------|---------------------|---|----------------------|---|-----------------|
| Residential | 3.278 | | 0.093 | | 3.371 |
| Small General Service | 3.278 | | 0.087 | | 3.365 |
| Medium General Service | 3.278 | | 0.069 | | 3.347 |
| Large General Service | 3.278 | | 0.043 | | 3.321 |
| Lighting | 3.278 | | 0.000 | | 3.278 |